BORDEN

1993 Annual Report

"Our goal is to build shareholder value by focusing on and revitalizing our best businesses and brands."

Financial Summary

(In millions except per share amounts)	1993	1992
Operating Results		
Net sales	**$5,506.3**	$5,871.7
Net loss	**(630.7)**	(364.4)
Net loss per common share	**(4.47)**	(2.54)
Dividends:		
Common share	**0.900**	1.185
Preferred series B share	**1.32**	1.32
Total dividends	**126.7**	170.4
Capital expenditures	**177.0**	286.2
Financial Position		
Current ratio	**0.9:1**	1.1:1
Total debt to adjusted total capitalization	**69%**	55%
Shareholders' equity	**$ 245.9**	$1,126.3
Equity per common share	**1.74**	8.01
Common shares outstanding	**141.4**	140.6

Both years include accounting changes and other one-time charges, and 1992 has been restated for discontinued operations.
See Notes to Consolidated Financial Statements.

Contents

To Our Shareholders and Associates

To say the least, 1993 was a very difficult year for everyone with a stake in Borden: shareholders, our tens of thousands of employee associates and their families, and the Company's management and Board. All felt the impact of Borden's poor performance.

In this, our first joint annual report message as the new Chairman and new Chief Executive Officer of the Company, we want you to know that a new era has begun at Borden.

We would like to share with you the business objectives your management and Board are committed to achieve, why we believe Borden can achieve them, and what they will mean to the Company's financial performance in the future.

Objectives: Renewed Growth, Leadership

Our first objective is a return to growth. That means growth in sales, in earnings per share, in return on assets and in shareholder value. Our target is that Borden's food businesses be in the top 25% of food companies in growth of these measures over the next three years.

Our second objective is a position of leadership for this Company. Our target is that Borden be an acknowledged leader in the food industry in five years, performing well above the industry median in rates of growth and in absolute performance measures. Most of our packaging and industrial products businesses have long been leaders in their industries.

To attain these objectives, Borden must rebuild and increase the volume of its businesses, while sharply reducing its costs.

Achieving them will not be easy.

Analysis and Plan

At mid-year, the Board and management undertook, with investment bankers and management consultants, the most detailed, comprehensive analysis ever undertaken of the competitive position and management record of each of the nearly 50 domestic and international businesses that made up this Company. The quality of that analysis, the plan that resulted and the people committed to its successful implementation provide the critical ingredients for moving the Company forward. Together they represent an approach and direction that is unlike anything Borden has done in the past.

This is what we found in our analysis and what we are doing about it:

Focus

First, Borden was in too many businesses.

Previous restructurings in 1989 and 1992 sold off parts of businesses and changed their structure, but left the businesses in the portfolio. The result was a portfolio in 1993 representing a span of involvement and commitment beyond the resources of the Company.

Under our plan, Borden in 1994 will sell businesses representing in total about $1.2 billion in revenues, almost 20% of the Company's 1993 revenue base. They include North American snacks, seafood, jams and jellies, and several other businesses we have not identified for competitive reasons pending sale.

All of the businesses in Borden's portfolio going forward have been retained for their growth and profit potential. In addition, dairy offers turnaround potential. Its recovery to acceptable levels of return is, we believe, the greatest single potential for increasing shareholder value in the near term. Packaging and industrial products also provides a strong cash flow that is important to achievement of our objectives.

Investment

Second, Borden has under-invested in its best brands.

Over the years, the Company has not invested enough in the quality, value and marketing of its leading brands. More aggressive competitors marketing to increasingly value-conscious consumers have challenged our strong market positions. The result has been a steady loss of market share to branded, and more recently, to private label producers.

Previous restructurings did not address, or did not address adequately, the issue of brand equity.

Our plan does.

In 1994, increased investment in our brands will begin with added quality and value — as determined by increasingly higher standards being set by the consumer. We will also target the higher-margin, value-added segments of our businesses, where Borden traditionally has not taken leadership.

We will position our brands with new ideas that communicate their unique attributes.

In our enlarged marketing budgets, we will put the dollars behind those ideas. Our marketing will reflect the unique nature of our businesses — either national in scope but regional in character, such as pasta and dairy; or national brands with leading positions in relatively small, specialty markets, such as niche grocery.

Cost Reductions

Third, our costs and the efficiency of our operations must — and are targeted to — improve dramatically.

Previous restructurings reduced costs by consolidating manufacturing, shrinking businesses or achieving new economies of scale. They did not address in sufficient depth the capabilities and quality of the many systems and processes common to all our businesses, ranging from the forecasting of demand and processing of orders to production, delivery and handling of customer payments.

In 1994, we started the largest cost reduction in Borden history. Most of the benefit will come from productivity improvement across the Company. The rest will result from divestitures.

Cost reductions are targeted at an annual rate of $70 million to $85 million by year end, reaching an annual rate of $100 million to $125 million by year-end 1995.

Management Excellence

Fourth, and most important, Borden has not had enough excellent managers in key positions.

Previous restructurings did not sufficiently address personnel issues.

Talented, experienced managers in key positions set standards for performance and model those standards by delivering on their commitments. The lack of a sufficient number of these managers has resulted in a culture not focused enough on the consumer or committed enough to quality and value.

Pasta, dairy and international foods are already under new leadership, and we have a new general manager of our Canadian operations. New management is in place throughout much of our pasta and dairy organizations. We have added new senior staff executives — in strategy and finance for worldwide foods; in operations for North American Foods; and for human resources.

In 1994, we plan to continue the building of a new management team, recruiting outstanding talent from both outside and inside the Company who exhibit the skills, values and leadership needed. Going forward, Borden people everywhere will focus on one overriding goal: building quality and value for the consumer in everything they do.

1993 Results

Our 1993 results included fourth quarter charges for business divestments, organizational restructuring, asset writedowns and changes in accounting estimates totaling $846.4 million pretax ($632.0 million after tax), or $4.48 per share.

For 1993, Borden posted a net loss of $630.7 million, or $4.47 per share, after these charges and giving effect to an after-tax charge of $18.0 million for the cumulative effect of adopting a new accounting standard for postemployment benefits.

The results for 1993 and 1992 were restated to reverse and reclassify certain expenses and accruals in Borden's 1992 restructuring charge. For the two years taken together, the Company's restated net loss is less than originally reported by $38.1 million or 27 cents per share.

Cost of the Plan

The cost of the plan is reflected primarily in the $846.4 million pretax charge reserved for its implementation.

The substantial reduction in shareholders' equity as of the end of 1993 primarily reflects this charge.

For shareholders, the plan also contemplates an annual cash dividend at a level of 30 cents a share in 1994. This is a reduction of 75% from the dividend level of the first two quarters of 1993. In January 1994, the Board declared a first quarter 1994 dividend payment at the new rate.

Benefits

If the costs of the plan are substantial, so are the potential benefits.

This is what we believe the achievement of our growth objectives could mean in financial performance:

1. Annual earnings-per-share growth in 1995 and 1996 of at least double the food industry average.

2. Sales growth from continuing operations of 5% in 1994 and 6% per year in 1995 and 1996.

3. Increase in return on investment from a range of 5% to 6% in 1994 to 12% in 1996.

4. Cumulative cash flow of $900 million over the three years, including capital expenditures and divestiture proceeds, resulting in a reduction in the ratio of total debt to adjusted total capitalization to about 50% at year-end 1996.

1994 Targets

Our restructuring program, being implemented by a largely new management team, is ambitious. Its success will require many steps, including multiple divestments at anticipated prices, sharply reduced costs throughout the Company, a reversal of the weak sales and income performance of Borden's pasta business, and a turnaround of our domestic dairy operation — which, based on early 1994 results, will be a significant challenge.

The successful implementation of our plan will generate an estimated cash flow from operations, including capital expenditures and divestiture proceeds, in excess of $400 million. Substantially all proceeds from the sale of businesses will be applied to debt repayment.

* * *

Frank J. Tasco, Chairman (left) and Ervin R. Shames, President and Chief Executive Officer

In summary, we understand the reasons for Borden's recent performance. We believe we have the plan, the new management team and the means to progress toward our objectives — to enable the Company to resume growth and establish a leadership position.

We want to acknowledge the patience and support of our shareholders and the loyalty of our associates.

For our shareholders, we believe Borden will once again be a rewarding investment.

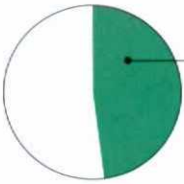
For our associates, we believe Borden will become an increasingly rewarding place to work.

Frank J. Tasco
Chairman

Ervin R. Shames
President and Chief Executive Officer

March 29, 1994

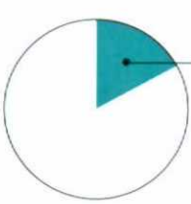
Borden at a Glance



North American Foods

1993 Sales: $2,672 million

Major Brands and Businesses	Strengths	Strategies
Pasta and Sauce • **Creamette** pasta sold across the United States • **Catelli** pasta and sauce in Canada • Regional U.S. and Canadian pasta brands including **Prince**, **R•F**, **Anthony's**, **Gioia** and **Ronco** • **Classico** premium pasta sauce • **Aunt Millie's** pasta sauce	• North American pasta leader participating in all market segments – dry branded, private label, foodservice, ingredient • **Creamette** and **Catelli** – both number one nationally • Leading regional brands • Only major pasta maker with a full line of sauces • Pasta quality edge • **Classico** – best-selling premium sauce in United States and Canada • Low-cost production base • Unmatched capacity, distribution	• Recover, expand volume through improved customer service • Improve efficiency, costs through better supply chain management • Strengthen brands with added marketing support, emphasizing quality • Leverage overall advantages in scale, capacity, cost, brand reach • Develop new products
Dairy • **Borden**, **Meadow Gold**, **Viva** and **Lite Line** milk, ice cream, frozen desserts, cultured products • **Borden** process cheese and **Lite Line** diet cheese products	• Strong consumer brand recognition • Dairy leader in many regional markets • Number one in sliced diet cheese domestically • Elsie the Cow – one of the most recognized food trademarks	• Recover lost volume through improved pricing and trade promotion policies • Reduce costs through improved distribution, better plant utilization, lower overhead • Develop new products. Further upgrade ice cream quality
Niche Grocery • Market basket of familiar food brands, including: – **Cracker Jack** popcorn and peanuts, – **Eagle Brand** sweetened condensed milk, – **ReaLemon** juice, – **Wyler's** bouillon and – **Cremora** non-dairy creamer	• Number one or strong number two positions in small to medium size grocery categories • Significant presence overall in U.S. supermarkets • Track record of good profits and returns • Opportunities for growth	• Increase advertising and other marketing support behind key products • Reposition products for new appeal, uses • Improve quality and value • Develop new products that offer added value to consumers



International Foods

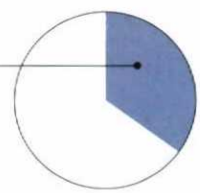
1993 Sales: $930 million

Major Brands and Businesses	Strengths	Strategies
European Bakery • **Nur Hier**, **Nuschelberg**, **Stefansback**, **Lecker Backer**, **Kamps,** and other regional retail bakeries in Germany; **Prima Pek** in Hungary • **Weber, Jaus** and **Golden Toast** packaged baked goods and breads sold in supermarkets and other retail outlets across Germany	• Unmatched German retail network • Among the leaders in industrial/commercial baked goods • Largest hamburger bun supplier in Germany	• Expand German retail bakery network through internal growth, acquisitions, as well as German hamburger bun business through new plant • Expand further into Central Europe • Lower costs of industrial operation • Develop new products

International Foods (continued)

Major Brands and Businesses	Strengths	Strategies
International Dairy • **KLIM** milk powder • Dairy and cheese business in Latin America	• World's second-leading milk powder; Borden's most global brand • Well established in growing Pacific Rim and Latin American markets	• Expand recently launched varieties — **KLIM Lite Line** low fat and **KLIM Super Kid** and **Growing Up** specially fortified milk powders • Use joint venture plant in China to support growth in other areas of the Far East as well
European Grocery and Pasta • Joint interest in Spain's **Gallina Blanca** dry soup and bouillon business • Niche grocery products including **ReaLemon** juice across Europe and **Cocio** bottled chocolate drinks in Scandinavia • **Monder** dry-filled pasta and **Albadoro** regional pasta in Italy	• Market leadership in Spain in dry soup and bouillon; expanding positions in other nations • Strong positions in most niche markets • Leading European brand of dry-filled pasta	• Build soup and bouillon exports to Africa, Latin America and Asia • Add bouillon business in China via joint venture plant • Expand niche grocery brands to other European countries • Export Italian pasta beyond Europe to Asia and North America

Packaging and Industrial Products



1993 Sales: $1,904 million

Major Brands and Businesses	Strengths	Strategies
Adhesives and Resins • High performance adhesives and industrial resins for home building, construction, foundry and industrial applications	• World leader in forest products adhesives; presence in most global markets • Major supplier of foundry and industrial resins	• Expand leadership position globally • Selectively expand to meet customer needs • Maintain technical leadership with value-added products
Decorative Products • The best-known consumer and commercial wallcovering brands including **Wall-Tex, Sunworthy, Borden Home, Borges** and **Crown**	• World leader in wallcovering • Largest share of market in North America and United Kingdom • Strong position across all retail channels of trade	• Grow volume with new products such as coordinated home furnishings and licensed products (e.g. Disney) • Expand distribution with in-store merchandising via mass marketers and home centers • Continue cost reductions
Consumer Adhesives • **Elmer's** adhesives and home improvement products • **Krazy Glue** instant glues	• Top-selling consumer adhesives and instant glues with strong consumer brand recognition	• Grow sales volume for **Elmer's** and **Krazy Glue** adhesives with new products, increased consumer advertising
Plastic Film and Packaging • **Resinite** and **Sealwrap** vinyl foodwraps; **Proponite** food packaging; and **Loadmaster**, **Resinex** and **Resinite** palletwrap films	• U.S. leader in vinyl foodwraps • Good position in European and Far Eastern flexible packaging	• Improve profitability with cost reductions and operating efficiencies

Revitalizing Borden's Businesses and Brands

The following is a series of questions answered by Ervin R. Shames, who became Borden's Chief Executive Officer on December 9, 1993.

Mr. Shames joined Borden on June 28 as President and Chief Operating Officer. He has more than 22 years of food industry experience, including positions as President and Chief Executive Officer of General Foods USA and President of Kraft USA. Immediately prior to joining Borden, he had been Chairman, President and Chief Executive Officer of The Stride Rite Corporation.

The questions were among those asked at meetings with the financial community and Borden associates following the announcement of the Company's plan of restructuring on January 5, 1994.

Q. How realistic are the targets on sales, earnings and returns you discuss in the letter to shareholders and associates?

A. They are ambitious, but we believe realistic. As a base, we've assumed only modest economic recovery in North America, especially in the auto and housing segments that are key to our non-food products. We're not planning for aggressive increases in selling prices. And our base projections don't assume any big gains from new products or new markets.

We have factored in performance improvements from what we believe are attainable gains in sales volumes. These would result from targeted marketing programs, better pricing practices, a modest level of new products and geographic expansion, and a focus everywhere on customer service, quality and value.

We've also factored in margin improvements from both our Companywide cost reduction program and specific programs such as those in dairy distribution and European packaging.

Q. Is there any upside potential beyond your stated targets?

A. For each core business, we have identified and are pursuing opportunities beyond those underlying our targets — for example, additional new products, new advertising campaigns and more cost reduction.

Q. In light of another large restructuring, can the plan be financed? Can Borden afford it?

A. Cash will be tight as we move through restructuring. But we've done all the analyses with outside advisers, and we believe we'll have the cash to cover debt obligations, marketing and other plan initiatives, capital expenditures and the cash dividend.

Q. What are the most critical factors to the success of the plan?

A. We must restore the performance of our pasta business and turn around the domestic dairy business. Longer term, and continuing throughout the plan, we have to change the Borden culture.

In pasta, our first priority is improving customer service. As part of that, we will also improve our demand forecasting, order processing, manufacturing and distribution.

Dairy, as we've said, represents the biggest single opportunity to increase shareholder value in the short term. The key is recovery of volume and reduction of costs, most notably costs of distribution.

Changing the Borden culture is a matter of returning to the culture that used to characterize Borden. "If it's Borden, it's got to be good!" at one time meant a great deal to Borden people and to the consumer. It will again, as we focus everyone on adding quality and value for the consumer in everything we do.

Q. Borden for years has talked about its strengths and potential in pasta. Is that still true?

A. Borden is by far the leader in the total category, which includes not only dry branded retail pasta, but also the other businesses that represent well over half of total category volume: private label, foodservice and uses in prepackaged dinners, entrees, soups and so on.

Our scale is unmatched. So is our manufacturing and distribution capacity. The size and diverse location of our plants give us a capability no other producer has.

We also have unusual diversity and reach in our regional brands and *Creamette* brand.

Finally, I believe we have a superior product

Ervin R. Shames

with superior cooking qualities.

Our strengths are there, and the category is growing. We have to make our operations better than any in the industry and market our many product advantages.

Q. Your dairy business posted a substantial loss in 1993. Why is this business being retained?

A. We believe shareholder value is best served through a recovery of the domestic dairy business — first to acceptable returns, then to returns at least as good as the industry median.

Dairy until very recently was an important contributor to cash flow and profitability. Borden has a long history in this business. We have many underlying strengths.

We know what we have to do. Our program to regain lost volume and reduce costs has been under way since September, under new leadership. We have reorganized our dairy business to put pricing decisions back as close to the local market as possible, while retaining appropriate oversight. We have restaffed much of dairy management.

These things require time to take effect. But we have already achieved substantial volume gains: more than two-thirds of our 1994 targeted volume recovery for fluid milk and cultured products.

Q. What already strong businesses are you relying on?

A. International Foods, Packaging and Industrial Products, and parts of Niche Grocery are strong, well-performing businesses today. Improving their returns, in combination with a turnaround in dairy and a recovery in the pasta business, is our plan.

The restructuring leaves us with businesses that are virtually all number one or a strong number two in attractive categories. We have a record of managing them well over the long term. We have identified ways to build them and generate good returns overall on the investment of our people and our capital.

Q. As part of your investment in your brands, what are you planning for advertising?

A. Our spending will be very targeted. It will represent investment behind ideas.

For example, we plan to increase our pasta TV and radio advertising from an average of \$2 million to \$3 million annually to \$8 million in 1994. Our advertising for the first time will stress the quality of our pastas and include side-by-side cooking comparisons. It will support our strong regional brands as well as *Creamette* pasta in regions in which it is a big seller.

We also plan the first TV advertising behind *Eagle Brand* sweetened condensed milk in many years.

Let me add that given the unique nature of our brands, we will rely a great deal on point-of-purchase marketing: the packaging and shelf position the consumer sees in the store. The best example of this is our success with *Classico*, now the leading premium pasta sauce.

Q. Will you reduce promotional spending to fund more advertising?

A. Advertising will not be at the expense of trade promotion, which is crucial to recovery of volume in many of our businesses.

Q. **In other restructurings, Borden said it would put more money into advertising and promotion, but didn't. Will that happen again?**

A. No, for two reasons. First, this plan divests the businesses that had been diverting funds from the marketing of our best brands. Second, I'm committed *not* to let it happen again. We need more marketing to be competitive.

Q. **Will there be growth through acquisitions, which Borden stressed in the past?**

A. We are anticipating further acquisitions in our bakery business in Germany. That is all we foresee right now.

Q. **What do you see for International Foods?**

A. In bakery products, Borden is number one in Germany in sales through retail shops. We're also near the top in industrial baked goods, which are the prepackaged items you find in supermarkets and products such as the hamburger buns we sell to McDonald's. An additional bakery is being built now to supply them with buns. We have room for growth throughout this business.

KLIM milk powder is another top seller for Borden, especially in the Far East and Latin America. We're expanding through new products and by selling in new geographies. We're growing in the same ways in dry soup and bouillon, made by our Gallina Blanca joint venture based in Spain.

Q. **A lot of people have said Borden should sell its non-food businesses. Why wasn't this done?**

A. First, most of our Packaging and Industrial Products businesses meet all criteria for retained businesses — leadership positions, good growth prospects in attractive markets, sufficient size to merit investment, and a record over time of good management.

Second, Borden needs the earnings and cash flow of these businesses to make the plan work.

Third, the sale of the non-food group could have tax consequences with adverse impact on shareholder value.

Q. **How can you reduce costs with your emphasis on new programs and business growth?**

A. We can and we must. We're working on the biggest cost reductions in Borden history.

Some of the savings will be costs directly connected to the businesses we're divesting.

But most savings will flow from a process-by-process change of the systems, functions and practices within Borden. With outside consultants, we are benchmarking our ways of doing things. By redesigning the work processes involved, we can reduce those costs dramatically.

We've named our effort "Project Breakout." It will break the chains of inefficiency, bureaucracy and redundancy within Borden, even as we sharpen our focus on customers, quality and service. It will make the Company a better place to work.

Q. **What are some examples of process-by-process redesign?**

A. We began to redesign supply chain management last year, to help improve customer service in pasta. Supply chain management starts with a good system to track our sales, so we can properly forecast demand, order ingredients and set production levels. Producing too much product ties up working capital in inventory. Not producing enough costs us business.

Better demand forecasting is also the key to allocating production among plants. We need the right forecasts to produce and distribute our products in the most cost effective way.

Q. **What is your turnaround experience?**

A. I've spent most of my career in the food industry taking businesses that were underperforming, and turning them into performers. We've relied on targeted advertising and marketing, organizational improvements, new people in management and aggressive reduction of costs. These are exactly the actions we are taking today at Borden.

Review of Continuing Operations

In 1993, sales of continuing operations — the pasta, dairy and niche grocery units of North American Foods, International Foods, and Packaging and Industrial Products — declined 6.2% to $5.51 billion.

Operating income from continuing businesses decreased 17.0% in 1993 to $194.3 million from $234.0 million in 1992, including charges of $38.4 million in 1993 and $270.7 million in 1992. Excluding these charges, operating income fell 53.9% to $232.7 million in 1993 from $504.7 million in 1992.

In 1993, discontinued operations, which Borden plans to divest in 1994, had an aggregate net loss of $65.8 million. These operations include North American snacks, seafood, jams and jellies, and certain other businesses and products.

Business unit discussions in this Review of Continuing Operations exclude the effect of the 1993 and 1992 charges.

North American Foods

The division consists of the pasta and sauce, niche grocery and U.S. dairy businesses.

Sales declined 12.1% to $2.67 billion in 1993. Dairy reported the largest drop in sales, reflecting a substantial decline in volume. The effect of inclusion in 1993 of only part-year results for Deran Candy and the Laura Scudder's and Southwest Snacks businesses divested during the first half of the year was the second major factor in the overall drop in sales. Pasta products sales were down as well, largely because of customer service problems.

Throughout the division, volume and dollar sales were also affected by increased competition from low-priced branded and private label products, and lower product shipments as Borden took steps to reduce retail trade inventories.

North American Foods had an operating loss of $2.3 million, with dairy and pasta results accounting for much of the decline. In addition to the volume shortfalls, profitability was hurt by higher costs of raw ingredients, and pricing pressures from low-priced competitive products.

Pasta and Sauce

To rectify the customer service problems that caused Borden's U.S. pasta volume and dollar sales to decline in 1993, and to rebuild profitability, Borden has:

- Reorganized its North American Pasta Products business, naming a new president in

Increased advertising will highlight the quality of* Creamette *pasta and Borden's regional pasta brands, such as* Prince *in the Northeast, as well as* Classico *premium pasta sauces.

August 1993 and hiring new sales managers throughout the field organization.

■ Initiated new supply chain management systems to improve forecasting of customer demand, ordering of raw ingredients and packaging, and the scheduling of production and distribution.

■ Relocated the administrative headquarters of Pasta Products to Columbus, Ohio, in 1993, to reduce costs and capitalize on central support capabilities for all the supply chain management functions.

■ Began a new pasta marketing campaign in late 1993 that highlights the superior cooking qualities of Borden pasta brands. Television advertising shows side-by-side cooking comparisons of Borden brands versus competitive products, illustrating for consumers the added value of the high-quality wheat and processing techniques used by Borden.

■ Planned an increase in television and radio advertising support for Borden pasta brands in 1994 to $8 million from a historical yearly level of $2 million to $3 million. Much of the increase will be spent regionally, behind brands such as *Prince* in the Northeast and *R·F* in the Midwest, and behind *Creamette* brand in its strongest regional markets.

■ Named a new general manager in late 1993 for the Canadian business. Canadian pasta and sauce results were down in 1993 due to a severely depressed economy, increased competitive pressure and foreign exchange rate fluctuations.

■ Introduced in early 1993 *Catelli Healthy Harvest* pasta and sauces in Canada. The line features whole wheat and other pastas fortified with added fiber and protein, and pasta sauces that are low in fat and sodium. New pasta production capacity was added at the Montreal, Quebec, pasta and sauce plant.

Sauce

Dollar sales edged up for U.S. pasta sauces, led by the continued success of *Classico* premium sauce. Income was up considerably higher.

Sales of *Classico* sauce were up 12% in 1993, following a 23% increase in 1992. *Classico* sales were buoyed by television advertising, targeted consumer promotions and direct mail campaigns in key markets. Programs will be extended to additional markets in 1994.

Dairy

Dairy had a substantial operating loss in 1993. This was due primarily to volume declines resulting from faulty pricing and trade promotion decisions in fluid milk and ice cream, and from higher raw milk and cream costs.

The Borden cheese business was less profitable in 1993 than in 1992, as a result of volume erosion, higher spending on consumer and trade promotions, and increased ingredient costs for commodity cheese.

Borden has taken these steps to restore and build profitability:

■ Named a new president of dairy in September 1993 and made other management changes.

■ Revamped its dairy organization in December 1993 to combine its fluid milk, ice cream and cultured products businesses within a regional structure to improve communications and coordination among all product areas, while better meeting the needs of customers and consumers.

■ Put pricing decisions on a market-by-market basis to better utilize the skills and information of managers closest to trade customers and consumers.

■ Reached a long-term agreement in November 1993 to supply 112 Homeland Stores supermarkets in Oklahoma, Kansas and Texas with *Borden*, *Meadow Gold* and store-brand dairy products, adding significant new volume for Borden dairies in Oklahoma and Texas.

■ Extended *Meadow Gold's* distribution reach into additional Western geographic markets in 1993.

■ Increased product exports to Mexico in 1993, with additional emphasis planned in 1994.

■ Successfully tested warehouse distribution in Columbus, Ohio, of cottage cheese, sour cream and yogurt, with distribution in three new markets planned in 1994.

Improved Distribution and Manufacturing

The Company also took these steps in distribution and manufacturing:

- Successfully tested distribution cost-savings programs at several dairy plants in 1993, which will be implemented at other plants in 1994.
- Began production of ultra-high temperature (UHT) long-shelf-life products, such as half-and-half, whipping cream and other creams, at Champaign, Illinois, to supply all Borden dairy locations.
- Completed a new ice cream hardening tunnel at the Baton Rouge, Louisiana, dairy to improve product quality and production efficiencies.
- Improved cheese product quality in late 1993 with the installation at Plymouth, Wisconsin, of state-of-the-art production technology for hot-wrap cheese slices.

By year-end 1993, Borden had regained more than two-thirds of the volume lost in fluid milk and cultured products earlier in the year.

Based on already regained volume, Borden expects higher plant utilization rates and lower per-unit processing costs in 1994.

New Products

New products have been introduced to offer consumers points of difference versus competitive offerings.

Among those launched in 1993:

- *Cracker Jack* ice cream novelties and *Borden* reduced lactose milk, introduced into test markets and planned for expanded distribution in 1994.
- *Borden* and *Meadow Gold* Fat-Free sour cream, launched in all Borden dairy markets to good consumer acceptance.
- *Borden* Fat-Free cheese slices, in American, Swiss and Sharp Cheddar flavors, successfully extended to national distribution.
- *Moooore* Milk Singles, which provide consumers the benefit of six ounces of milk per slice, launched into test markets in the 1993 third quarter.

In 1994, Borden plans a quality upgrade across its entire line of ice cream products. Marketing programs during the year will focus on communicating, both to consumers and the trade, the benefits of these and other new and improved products.

Borden is upgrading the quality and developing new value-added products to strengthen the* Borden *and* Meadow Gold *family of dairy products.

Niche Grocery

Sales were off in 1993 as a result of volume declines in most products. This reflected intense competition from low-priced branded and private label products, inventory reductions by both customers and Borden, and the 1993 divestiture of Deran Candy. Operating income fell because of the volume shortfall, competitive pressures on selling prices and higher marketing spending.

Targeted consumer marketing spending in 1994 — to support new and existing products offering competitive benefits and added value to the consumer — is expected to drive volume, dollar sales and income growth. Products to be highlighted in advertising and promotion programs include *Eagle Brand* sweetened condensed milk, *Cracker Jack* popcorn and peanuts, *ReaLemon* juice and *Wyler's* bouillon.

Cracker Jack

Dollar sales of *Cracker Jack* were up in 1993, reflecting volume gains from the first full year of availability of butter toffee flavor and the introduction of a new family size package for both butter toffee and traditional caramel flavor *Cracker Jack*. Income declined, however, due to higher marketing expenses associated with completing the national roll out of *Cracker Jack* butter toffee flavor, and a shift to larger size, lower margin packages.

Cracker Jack brand celebrated its 100th Anniversary in 1993, with nostalgic packaging, prizes and other promotions reinforcing its position as one of America's best known brands. The celebration was widely reported by print, television and radio media, especially in Chicago, where *Cracker Jack* made its debut in 1893.

Dessert & Coffee Products

Sales and income for *Eagle Brand* sweetened condensed milk, *ReaLemon* juice, *Nonesuch* mincemeat and *Borden* egg nog were down in 1993, reflecting the impact of low-priced branded and private label products.

To regain volume, *Eagle Brand* sweetened condensed milk was given increasing consumer advertising support as 1993 progressed. Borden will add to this support in 1994 with the first television advertising for *Eagle Brand* in many years.

A reduction in the price differential between *ReaLemon* juice and private label competitors in late 1993 resulted in improved sales volume for the Borden brand.

In addition, Borden took steps during the year to better match production to consumer demand by reducing inventory in the hands of retailers. This move hurt 1993 results, but is expected to

Niche grocery brands, such as* Eagle Brand *sweetened condensed milk and* ReaLemon *juice, are expected to benefit in 1994 from added investment in advertising and promotion.

provide substantial long-term benefits in terms of greater production efficiency and improved quality and freshness of Borden products reaching the consumer.

Sales and income for *Cremora* non-dairy creamer were hurt by price competition from new products and private label brands. Marketing programs implemented in the second half of 1993 helped to improve *Cremora's* competitive position and re-established share and volume growth.

Dry Soup and Bouillon

Dollar sales were up for the product line, consisting of *Wyler's* and *Steero* bouillon and broth, and *Soup Starter* dry soup mixes.

Bouillon sales benefited from added retail merchandising support for *Wyler's* and *Steero* brands and the successful introduction of a new *Wyler's* broth in key Midwestern markets.

An improved formula for *Soup Starter* mixes — featuring larger, fresher tasting vegetables — was introduced in late 1993 with considerable consumer advertising support.

International Foods

This division includes European bakery products, international milk powder, Latin American dairy, and European grocery and pasta products.

In 1993, operating income declined 29.9% to $67.3 million, primarily due to foreign exchange rate fluctuations. Sales declined 2.3% to $930 million.

European Bakery Products

Sales edged up slightly in 1993, following strong gains in the prior year. Higher operating income from the retail portion of the business, however, was more than offset by a smaller income contribution from industrial sales, which principally includes packaged bakery goods sold to supermarkets. This reflected price competition and higher costs in the industrial sector.

In 1993, Borden strengthened its position as Germany's leading producer and retailer of bakery products, primarily sweet snacks and specialty breads.

Two 1993 acquisitions expanded Borden's position as the largest operator of retail bakeries in Germany. The Company bought the 17-store Klems bakery in Wuppertal, near Dusseldorf, and a joint interest in the 20-store Heede chain near Kassel.

Borden's European Bakery Group now owns and operates six retail bakery chains — under the *Nur Hier, Kamps, Nuschelberg, Stefansback, Klems* and *Wriedeler* brand names. Borden has interests in the *Lecker Backer* and *Heede* chains in northern Germany, and in the *Prima Pek* chain in Budapest, Hungary. In total, Borden operates over 400 retail bakery outlets across Germany and plans further selective retail acquisitions and expansions in 1994.

In the industrial baked goods sector, Borden's Wilhelm Weber GmbH is building an additional hamburger bun plant, this one in Gunzburg in southern Germany, adjacent to a McDonald's regional distribution warehouse. The new plant will add substantial volume and enhances Weber's position as Germany's leading supplier of hamburger buns for fast-food restaurants and supermarkets.

International Milk Powder

KLIM milk powder sold in the world export marketplace held even in both dollar sales and operating income in 1993. New products launched over the past few years for specific consumer segments enjoyed success in 1993:

- *KLIM Lite Line* low fat, and *KLIM Superkid* milk powder for children ages three to seven, continued to perform well in their selected Far Eastern markets, such as Taiwan, Hong Kong and Malaysia; and
- *KLIM Growing Up*, a specially formulated milk powder targeted for children ages one to three, was introduced in July 1993 to good consumer acceptance in Taiwan, Hong Kong and Malaysia.

An expansion of a joint venture milk powder plant in China began operations in May 1993, providing Borden with a manufacturing base for further growth in the Far Eastern export market as well as in local markets.

Latin American Dairy

Sales and income were up in Panama, where Borden operates local milk powder, cheese, pasta and ice cream businesses.

Milk powder sales also were up in Colombia, due in part to the addition of new manufacturing capacity. *Borden* process cheese slices gained the market lead in Colombia.

Borden's Puerto Rican operation — which includes cheese, ice cream, and juices and nectars — reported increased sales. Income declined due to strong price competition.

European Grocery and Pasta

Sales and income were down in the European grocery and pasta business unit, reflecting downturns in Borden's Italian pasta business and a recession-related decline in equity income from Gallina Blanca, a joint venture food company based in Spain.

Marketing efforts enabled the Gallina Blanca joint venture unit to increase its share in both bouillon and soup in Spain, even as a continuing recession in that nation reduced total industry sales. A manufacturing plant jointly owned by Gallina Blanca and local interests was opened in Huizhou, China, in November 1993 to produce *Jumbo* bouillon.

Albadoro S.p.A., one of Borden's two Italian pasta companies, was affected by significantly higher costs for durum semolina during the year. Albadoro benefited from increased sales to Japan, making it the third largest Italian exporter of pasta to that nation.

Monder filled pasta products in Italy achieved their highest ever share of retail sales, despite an overall decline in the filled pasta category.

European sales of *ReaLemon* juice posted gains in 1993.

Further opportunities exist to expand Borden's European bakery business, which includes* Weber *packaged baked goods sold in supermarkets and other retail outlets across Germany.

Packaging and Industrial Products/Domestic and International

This division consists of resins, plastic film and packaging, decorative products, consumer adhesives, and pasta in Brazil.

Sales were up 1.3% to $1.90 billion in 1993. Operating income fell 15.0% to $167.7 million, reflecting sales and income declines in European and North American plastic film and packaging, and reduced income in European resins and Latin American operations. Foreign currency changes accounted for a major portion of the decline.

Worldwide Resins

Dollar sales rose in 1993, benefiting from strong gains in North American forest products adhesives and worldwide foundry and industrial resins. Operating income declined overall as improvements in North America were offset by the European decline, where a continuing recession and industry overcapacity hurt Borden's businesses in the United Kingdom, France and Spain.

Forest products adhesives operations in the Far East improved sales and profits, despite power outages nationwide and a shortage of logs that affected Borden customers in the Philippines.

New capacity for forest products adhesives was added at plants in Springfield, Oregon; Edmonton, Alberta; and North Baddesley, England. Cost reductions under way in Europe include modernization of plant operations in the United Kingdom.

Plastic Film and Packaging

North America

Though U.S. sales volumes of *Resinite* vinyl film achieved record levels in 1993, profits were hurt by substantially higher raw material costs, which were not fully recovered due to strong industry-wide price competition. Borden remained the leading U.S. supplier of vinyl foodwrap films to supermarkets, restaurants and other foodservice users.

Industrywide overcapacity hurt sales and profits of *Proponite* packaging film, despite good demand for *OPPtimum* metallized packaging film. A strategic alliance formed in 1992 with Moplefan, S.p.A., a leading European producer of plastic films, enabled broadening of the *Proponite* product line in 1993 and added to overall capacity for advanced packaging films. Sales volumes for *Loadmaster* palletwrap film were up in 1993, despite strong industrywide competition.

High-technology coatings posted record sales and income as *LUV* fiber-optic coatings registered strong volume gains beyond North America to Europe and Asia.

Although profit margins were hurt by higher raw material costs, Vernon Plastics increased its sales of value-added vinyl laminates in 1993 and introduced a new stain- and oil-resistant vinyl-coated fabric late in the year.

Europe

Sales and profits in European films and plastic packaging were down, due to continued recession, strong competition and industrywide overcapacity in many markets.

A long-term supply agreement and additional production resulted from transfer of the European flexible films business of Reynolds Metals Co. to Borden's U.K. and French operations.

A capacity expansion was completed in late 1993 in Holland to meet the continued strong demand for palletwrap film.

The Barnier specialty electrical tape business in France was sold in late 1993.

Worldwide Decorative Products

Sales held even, while income was slightly higher in 1993.

Borden bolstered its position as the world's largest wallcovering producer and the premier manufacturer of licensed wallcoverings with the introduction of a complete line of Disney children's wallcoverings and the launch of Barney the Dinosaur wallcoverings in 1993.

In the coordinated wallcoverings/bedding ensemble segment of the home furnishing market, Borden added new designer offerings from Louis Nichole and Gloria Vanderbilt.

Innovative new *Borden Home Wallcoverings* introduced in 1993 included:

- *Borderlines* peel-and-stick borders that offer easy do-it-yourself installation; and

- *Paintable Impressions*, textured, three-dimensional wallcoverings that can be painted to match the look of a room.

At Borden's Borges unit in Germany and Crown in the United Kingdom, major production improvements in 1993 reduced costs and improved operating efficiencies.

Consumer Adhesives

Sales and income held steady in 1993, despite strong competition from low-priced branded and private label products.

In 1994, Borden plans to increase sales volume in *Elmer's* and *Krazy Glue* adhesives by introducing innovative new products and increasing consumer advertising support.

New products launched in 1993 include:

- *Elmer's School Glue Gel* — the first major advance in school glues in 25 years;
- *Elmer's Weather-Tite* wood glue and wood filler, specially formulated to resist water and mildew;
- *Elmer's Glue Sticks* in fun colors; and
- *Krazy Glue Less Skin Adhesion* instant glue.

In addition to trade advertising and promotion, new television commercials are scheduled to air in 1994 for *Elmer's* wood glues and fillers; *Krazy Glue* instant adhesives; and *Elmer's School Glues, GluColors* and *Glue Sticks*.

Latin America

Borden's Latin American resin and plastic film sales and income improved, especially in the second half of 1993. Costs were reduced with the closing of a plant in Cubatao, Brazil.

Income in non-food consumer products and pasta was hurt by price competition and currency devaluations. A pasta plant in Porto Alegre, Brazil, was closed to reduce costs. In pasta, *Adria* remained Brazil's best-selling national brand.

Coordinated wallcovering designs and innovative products, such as* Elmer's GluColors, School Glue Gel *and color* Glue Sticks, *should help to increase sales in wallcoverings and consumer adhesives.

Social and Environmental Responsibility

Borden has a long-standing commitment to social and environmental responsibility. This commitment was formalized by the Borden Principles of Environmental Responsibility, adopted in 1990, and the Borden Principles of Social Responsibility, adopted in 1991.

These principles provide the framework for Companywide policies and programs to ensure equal employment opportunity, encourage use of minority suppliers, focus charitable contributions and help protect the environment.

Equal Employment Opportunity

Borden hires, trains, promotes, compensates and makes all other employment decisions without regard to race, color, sex, age, religion, national origin or disability. It has Affirmative Action programs in place at all domestic locations to assure equal opportunity in all job-related matters for every Borden associate.

The Company's goal is full representation of qualified minorities and women throughout the Borden workforce. To date, Borden has achieved a diverse workforce where minorities account for 24% of total U.S. associates.

Minority Purchasing

Borden was among the first U.S. companies to establish a minority purchasing program more than 20 years ago. Since then, the Company has strengthened its commitment by taking extra steps to ensure that minority suppliers have opportunities to win business. In 1993, Borden purchased $78 million in goods and services from minority suppliers and made $51 million in tax payments through minority-owned banks.

Charitable Contributions

The Borden Foundation has guided the Company's corporate contributions efforts for half a century. Over the last five years, the Foundation has placed its primary focus on programs that assist disadvantaged youth. These programs now account for more than 40% of Borden grant dollars.

The Foundation continued in 1993 its Ten Cities Programs with the National Urban League and the Aspira Association, Inc. for Hispanic Americans, allocating special grants to ten Urban League Chapters and Aspira Associations across the country to enhance the lives of children in their communities.

The Foundation also gives special consideration to programs in which Borden associates are actively involved by matching their contributions; grants were made to 319 tax-exempt charitable health, arts, cultural, youth and educational organizations in 1993.

Protecting the Environment

Borden takes a serious view of its environmental responsibilities in handling and using raw materials, and in manufacturing, packaging and distributing its products.

Borden supports many national environmental and conservation organizations and contributes to local organizations in areas in which the Company has plants or other facilities.

The Company voluntarily joined the U.S. Environmental Protection Agency's (EPA) 33/50 Industrial Toxics Project in 1991. This program encourages companies to reduce plant emissions of 17 commonly used chemicals. Borden already has met the EPA's goal of reducing emissions of these chemicals by 50% by 1995.

Borden also is participating in EPA's "Green Light" program, which helps companies reduce electrical use through more efficient lighting.

Borden is phasing out fluorocarbon refrigerants at its dairies and underground storage tanks at all facilities. Several dairy plants have recently installed state-of-the-art water treatment facilities.

Borden's 10 North American forest products adhesives plants now recycle virtually all water generated during processing.

Reducing Waste

A Companywide packaging and solid waste policy, adopted in 1992, pledges the Company to use packaging that meets environmental concerns, while maintaining product quality and safety.

Many Borden operations use voluntary codes for glass, steel, aluminum and paper on their packaging, which remind and encourage consumers to recycle.

Recycled fiberboard is used in boxes for nearly all of Borden's domestic pastas. Most Borden *Singleskeeper* cheese packages are made with 25% recycled polyethylene terephthalate (PET) resin, and all will be shortly.

Waste has been cut from product packaging by reducing wall thicknesses, using lighter weight materials and eliminating unnecessary packaging components, for products such as *ReaLemon* juice, *Eagle Brand* sweetened condensed milk, *Cremora* non-dairy creamer, *Borden* cheeses and packaged pastas.

1993 Financial Review

Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

In December 1993 the Company recorded a pretax charge of $752.3 million to provide for a business divestiture and restructuring program. The program involves the divestment of North American snacks, seafood, jams and jellies, and other businesses not specified for competitive reasons, for which a pretax charge of $637.4 million, $490.0 million after tax, was recorded for estimated losses on disposal. The businesses to be divested had 1993 net sales of $1.194 billion, or 17.8% of total 1993 sales. The program also involves an organizational restructuring designed to achieve cost reductions for which a pretax charge of $114.9 million was recorded. See the Restructuring Charges section below for further discussion.

These actions were considered necessary as a result of continued declines in operating results of the discontinued operations and the need to reduce the Company's overhead in light of the downsizing.

The operating results for the businesses being divested and the estimated losses on disposal have been segregated and reported net of tax as discontinued operations for all three years presented in the Consolidated Statements of Income.

The Company anticipates that the sale of these businesses will be completed by the end of 1994. Proceeds from the sale of the operations will be used primarily to reduce debt.

The 1993 divestment and restructuring program, which is being implemented by a largely new management team, is intended to reverse the deterioration in the Company's operating performance during recent years. Management anticipates that the divestment portion of the program will favorably impact overall 1994 and subsequent results by the elimination of losses from discontinued operations and, to a lesser extent, due to cost reductions from the restructuring portion of the program. Although there can be no assurance as to the final results of the restructuring program, 1994 results from continuing operations are expected to improve over 1993, after a marginally profitable first quarter. The success of the restructuring program will require the completion of many steps, including achieving multiple divestments at anticipated prices, reducing costs throughout the Company, and reversing the poor sales and income performance of domestic dairy and pasta. Based on early 1994 results, the franchises and cost positions of our dairy and pasta businesses appear to be strengthening. However, the economic improvement from these businesses has been less than previously anticipated.

Net assets of $222.2 million related to the discontinued operations have been segregated in the December 31, 1993 Consolidated Balance Sheet. This amount consists primarily of working capital, property, plant and equipment, and intangibles, net of the estimated losses on disposal.

Also in fourth quarter 1993, the Company recorded a pretax charge of $94.1 million for asset writedowns and changes in accounting estimates primarily relating to the cost of consumer and trade promotions. In addition, fourth quarter 1993 results include a pretax gain of $14.8 million on the sale of a European packaging operation. The charge is recorded in cost of goods sold and in marketing, general and administrative expenses in the Consolidated Statement of Income, while the gain on the sale is included in other income.

In 1993 the Company adopted Statement of Financial Accounting Standard (SFAS) No. 112, "Employers' Accounting for Postemployment Benefits," retroactive to January 1, 1993. The cumulative effect of the accounting change reduced first quarter and 1993 net income by $18.0 million, or $.13 per share. First quarter operating results have been restated for the cumulative effect of the change. The accounting change had no significant effect on 1993 income before cumulative effect of accounting changes.

As a result of the charges and the effect of the accounting changes, the Company reported a restated 1993 net loss of $630.7 million, or $4.47 per share, compared to a restated 1992 net loss of $364.4 million, or $2.54 per share. The 1992 results include a restated pretax restructuring charge of $377.2 million to cover costs of a companywide restructuring program.

During 1992 the Company adopted SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" and No. 109 "Accounting for Income Taxes." These accounting changes reduced 1992 net income before the cumulative effect of accounting changes by $8.1 million, or $.06 per share. The cumulative effect of the accounting changes as of January 1, 1992 reduced 1992 net income by $229.0 million, or $1.60 per share.

Net income for 1991 was $294.9 million, or $2.00 per share, and included a restructuring charge of $71.6 million, $44.0 million after tax, or $.30 per share.

Restatement and Reclassification

Following communications with the Securities and Exchange Commission concerning the 1992 restructuring charge, the Company has reclassified and restated $264.8 million of the 1992 restructuring charge. Of this amount, $145.5 million was reclassified from restructuring into operating expense in the 1992 financial statements and had no effect on the net 1992 results of operations. The reclassification included marketing, environmental and litigation accruals and asset writeoffs. The remaining $119.3 million was reversed to 1992 income. It included $59.8 million of business integration, marketing and data system reorganization costs which were recorded as 1993 expenses and $59.5 million of 1992 restructuring programs that have been cancelled.

In connection with the 1992 restatement, a loss of $17.2 million, $10.8 million after tax, relating to debt retirement costs was reclassified out of restructuring and presented as an extraordinary item.

As a result of the restatement the 1993 net loss increased $37.1 million, or $0.26 per share, and the 1992 net loss decreased $75.2 million, or $0.53 per share, $86.0 million, or $0.60 per share, before extraordinary item, as compared to the originally reported results. Shareholders' equity increased by $38.1 million and $75.2 million at December 31, 1993 and 1992, respectively.

Restructuring Charges

Following is a schedule of restructuring reserve balances at the end of the last three years by major component and the amounts charged to income:

(In millions)	Charge to Income	Balances at December 31, 1993	1992	1991
1993 Restructuring:				
Business Re-engineering	$ 90.6	$ 89.0		
Business Divestitures	16.3	16.3		
Closure and Consolidation	8.0	8.0		
	114.9	113.3	0.0	0.0
1992 Restructuring:				
Business Re-engineering	46.4	6.8	$ 44.1	
Business Divestitures	161.5	11.8	71.7	
Closure and Consolidation	169.3	14.0	73.6	
	377.2	32.6	189.4	0.0
1991 Restructuring:				
Business Re-engineering	27.8			$ 14.0
Closure and Consolidation	43.8			11.0
	71.6	0.0	0.0	25.0
Total Reserves	$563.7	$145.9	$189.4	$ 25.0

The 1993 restructuring charge of $114.9 million consists of three parts. The business re-engineering is primarily $76.5 million of severance and other personnel costs relating to the reduction of approximately 1,800 employees as a result of an administrative downsizing. Additionally, it includes $14.1 million to reorganize dairy operations by closing certain administrative centers and writing off certain assets. Business divestitures represents an increase in the estimated costs to divest an international operation which was provided for in the 1992 restructuring reserve. The change in estimate for this divestiture is primarily related to the additional time required to dispose of the operation which is now expected to occur in mid-1994 and recent unfavorable exchange rates. Closure and consolidation costs of $8.0 million were provided for the expected loss on divestiture of a small operation.

The 1992 restructuring charge of $377.2 million, includes $79.4 million related to discontinued operations which is included in the loss from discontinued opera-

tions in the Consolidated Statements of Income. The charge includes changes in estimates of $19.8 million for idle property and workers' compensation costs associated with locations closed in the 1989 and 1991 restructuring reserves. The 1992 reserve has a balance of $32.6 million at December 31, 1993. The $6.8 million reserve balance for business re-engineering costs represents relocation costs for personnel, while the charges of $37.3 million in 1993 were comprised of data system write-offs, personnel relocation costs, packaging write-offs and packaging standardization. The business divestitures balance of $11.8 million is related to final costs associated with the divestitures of Deran, Laura Scudder's, Southwest Snacks and an international operation. Business divestiture charges of $59.9 million in 1993 primarily related to these divestitures and to the operating losses of an international operation which is being sold as part of the 1992 restructuring program and is expected to be sold in 1994. The $14.0 million balance for closures and consolidations relates to several facilities which are in the process of being closed. The 1993 charges totaled $59.6 million and relate to closures of individual facilities, carrying costs of property held for sale and workers' compensation claims for closed facilities. All of the 1992 restructuring charges will be completed during 1994.

The 1991 restructuring charge of $71.6 million, of which $4.4 million relates to discontinued operations, had a balance of $25.0 million at December 31, 1991. This program, which was completed in 1992, covered business reorganization costs, as well as severance, relocation and other employee-related expenses.

Cash spending in 1993 relating to the 1993 and 1992 restructuring programs was $62.4 million. The 1993 pretax income benefit from the 1992 restructuring approximated the amount of spending. Cash spending in 1993 of $10.8 million related to discontinued operations and will produce no future income benefits. Of the remaining $113.3 million 1993 reserve, $98.3 million represents cash charges, the majority of which are expected to be incurred in 1994. Personnel and related costs are expected to be reduced in excess of $75.0 million annually beginning in late 1994 because of the employee terminations from the 1993 and 1992 restructuring programs. There are no significant offsetting expenses to these savings.

Results of Continuing Operations

A three year comparison of division sales and operating income is presented on page 21.

Net sales in 1993 decreased 6.2% to $5.506 billion from $5.872 billion in 1992. Net sales in 1992 decreased 0.9% from $5.924 billion in 1991.

The 1991-1993 restructuring charges are allocated by division as follows:

(In millions)	**1993**	1992	1991
North American Foods	**$ 22.1**	$ 161.5	$ 29.8
International Foods	**16.3**	54.2	18.9
Packaging and Industrial Products		55.0	12.5
	38.4	270.7	61.2
Not allocable to divisions	**76.5**	27.1	6.0
	114.9	297.8	67.2
Income tax effect	**37.5**	65.0	26.0
Charges, net of tax	**$77.4**	$ 232.8	$ 41.2

The loss from continuing operations was $56.9 million in 1993 and $38.7 million in 1992, versus income of $279.9 million in 1991. Excluding the charges, income from continuing operations was $20.5 million, $194.1 million and $321.1 million in 1993, 1992 and 1991, respectively.

Division operating income included pretax restructuring charges of $38.4 million, $270.7 million and $61.2 million in 1993, 1992 and 1991, respectively. 1993 division operating income decreased 17.0% to $194.3 million from $234.0 million in 1992, while 1992 decreased 61.9% from $614.7 million in 1991. Excluding the charges, 1993 operating results decreased 53.9% and 1992 results decreased 25.3% from the respective prior years.

A significant portion of the Company's operating income is generated by foreign operations and can be affected by currency fluctuations. Most of this exposure is attributable to the translation of income generated by these foreign operations in their functional currency; functional currency operating results are not hedged. When appropriate, the Company will hedge cash flow transaction exposures, including hedging of cash flows related to exports or imports denominated in currencies different from the functional currency of the operating unit.

The effect of changes in foreign currency exchange rates adversely impacted sales and division operating income in 1993 compared to 1992. Had exchange rates remained unchanged from the prior year, sales and operating income in 1993 would have been approximately $140 million and $30 million higher, respectively. The effect of changes in foreign currency exchange rates was not significant when comparing 1992 to 1991 results.

Three Year Comparison of Division Sales and Operating Income

(Dollars in millions) *Year Ended December 31,*	**1993**		1992		1991	
Division Sales						
North American Foods	**$2,671.5**	**48%**	$3,039.0	52%	$3,085.9	52%
International Foods	**930.4**	**17**	951.9	16	967.0	16
Packaging and Industrial Products	**1,904.4**	**35**	1,880.8	32	1,871.2	32
Total	**$5,506.3**	**100%**	$5,871.7	100%	$5,924.1	100%
Division Operating Income (Loss)						
North American Foods	**$ (24.4)**	**(12)%**	$ 49.8	21%	$ 337.3	55%
International Foods	**51.0**	**26**	41.8	18	90.5	15
Packaging and Industrial Products	**167.7**	**86**	142.4	61	186.9	30
Total	**194.3**	**100%**	234.0	100%	614.7	100%
Discontinued operations, net of tax	**(555.8)**		(85.9)		15.0	
Other income and expense not allocable to divisions and income taxes	**(269.2)**		(512.5)		(334.8)	
Net income (loss)	**$ (630.7)**		$ (364.4)		$ 294.9	

See Management's Discussion and Analysis–Results of Continuing Operations for restructuring charges included in division operating income.

During 1993 the Company was reorganized into three operating divisions: North American Foods, International Foods, and Packaging and Industrial Products. North American Foods is comprised of niche grocery, pasta and sauce, and dairy products, while International Foods includes international milk powder, European bakery products and several European grocery and pasta businesses. Packaging and Industrial Products includes primarily wallcoverings, adhesives and resins, and plastic films and packaging.

North American Food's 1993 sales decreased 12.1% to $2.672 billion from $3.039 billion in 1992 due primarily to volume declines in fluid milk, ice cream and pasta; the divestitures of Laura Scudder's, Southwest Snacks and Deran candy; and decreases in most niche grocery products. The volume declines were due to increased competition from low-priced branded and private label products, the adjusting of promotions to reduce "trade loading," as well as pricing and customer service issues in dairy and pasta, respectively. Operating results decreased to a loss of $24.4 million compared to operating income of $49.8 million in 1992. These amounts include charges of $22.1 million in 1993 and $161.5 million in 1992. Excluding both charges, 1993 operating income decreased substantially compared to 1992 primarily as a result of volume declines and higher raw milk, cream and wheat costs which could not be fully recovered in product pricing due to the competitive environment.

The Division's 1992 sales decreased 1.5% from $3.086 billion in 1991 primarily as a result of the MCP Foods divestiture and decreased Canadian sales, partially offset by increased fluid milk sales. Operating income in 1992 decreased 85.2% from $337.3 million in 1991. Operating income in 1991 included a $29.8 million charge. Excluding the 1992 and 1991 charges, operating income decreased 42.4% compared to 1991, due to higher raw milk costs, strong price competition from private label and regional milk processors, declines in Canadian operations and higher raw material costs for pasta, partially offset by improvements in several niche grocery products.

International Foods 1993 sales decreased 2.3% to $930 million from $952 million in 1992. However, excluding acquisitions and divestitures, sales increased slightly as a result of increases in international milk powder, partially offset by decreases in the European grocery and pasta businesses. Operating income increased 22.0% to $51.0

million from $41.8 million in 1992. Operating income in 1993 and 1992 includes a $16.3 million and $54.2 million charge, respectively. Excluding both charges, 1993 operating income decreased 29.9% from 1992 as a result of the negative impact of foreign exchange rate fluctuations as well as declines in the European grocery and pasta, and Puerto Rican businesses. The effect of foreign exchange rate fluctuations negatively impacted 1993 operating income by 13.4%.

The Division's 1992 sales decreased 1.6% from $967 million in 1991 as a result of the divestitures of the Sooner and Crecspan snacks businesses, partially offset by increases in international milk powder and European bakery products. Operating income in 1992 decreased 53.8% from $90.5 million in 1991. Operating income in 1991 included an $18.9 million charge. Excluding the 1992 and 1991 charges, operating income decreased 12.2% compared to 1991, due primarily to the Sooner and Crecspan divestitures as well as declines in international milk powder.

Packaging and Industrial Product's 1993 sales increased 1.3% to $1.904 billion from $1.881 billion in 1992 primarily as a result of increases in the North American operations of forest products adhesives, resins and wallcoverings, partially offset by decreases in most of the European businesses. Operating income increased 17.8% to $167.7 million from $142.4 million in 1992. Operating income in 1992 includes a $55.0 million charge. Excluding the charge, 1993 operating income decreased 15.0% compared to 1992 as a result of the negative impact of foreign exchange rate fluctuations and the continuing effects of the European recession on European packaging and resins, partially offset by improvements in North American adhesives and resins and worldwide wallcoverings. The effect of foreign exchange rate changes negatively impacted 1993 operating income by 9.6%.

The Division's 1992 sales increased 0.5% from $1.871 billion in 1991 primarily as a result of increases in worldwide wallcoverings, forest products adhesives and industrial resins, offset by the divestiture of the Lambiotte and TRL specialty adhesives businesses in France. Operating income in 1992 decreased 23.8% from $186.9 million in 1991. Operating income in 1991 included a $12.5 million charge. Excluding the 1992 and 1991 charges, operating income decreased 1.0% compared to 1991 as declines in North American plastic film and packaging and decreased income from Borden Chemicals and Plastics Limited Partnership were mostly offset by improvements in Latin American operations, forest products adhesives and industrial resins.

Interest expense in 1993 increased as a result of increased average debt levels. Interest expense in 1992 decreased from the prior year due to lower average debt levels and lower interest rates. Minority interest recorded in the income statement increased in 1992 as a result of the limited partner interest in T.M.I. Associates, L.P., a limited partnership in which the Company has a 77.28% general partner interest, being included for a full year as compared to a short period in 1991.

An income tax benefit of $27.2 million was recorded in 1993 compared to expenses of $14.2 million in 1992 and $151.3 million in 1991. The low effective tax rate in both 1993 and 1992 reflects certain restructuring expenses with reduced tax benefits. In August 1993 the passage of the Omnibus Budget Reconciliation Act of 1993 increased the statutory corporate tax rate to 35%. This increase had an immaterial impact on the provision for income taxes.

The 1993 income tax benefit from continuing operations, discontinued operations and loss on disposal of discontinued operations was $210.8 million. An $11.0 million tax benefit was also recorded with the adoption of SFAS No. 112 and $6.4 million with the extraordinary loss on debt retirement. The net deferred tax asset at December 31, 1993 was $222.3 million. In order to realize the net deferred asset the Company will need to generate approximately $635.0 million of future taxable income before the expiration of the carryforward periods. The deferred tax benefits are expected to be fully utilized through the benefits which the divestiture and restructuring program will have on future operating results. Currently, there are no operating loss carryforwards for domestic income tax purposes, and future carryforwards which arise will have a 15 year life from the year of the loss.

Results of Discontinued Operations

Net sales for discontinued operations decreased 6.1% in 1993 to $1.194 billion from $1.271 billion in 1992 primarily as a result of decreases in North American snacks. Losses from discontinued operations in 1993 were $65.8 million compared to $85.9 million in 1992. Results for 1992 included a $50.4 million after tax charge for restructuring. Excluding the 1992 charge, 1993 results declined primarily as a result of volume declines and price discounting caused by competitive pressures in North American snacks. Net sales in 1992 decreased 3.1% from $1.311 billion in 1991 primarily as a result of

decreases in North American snacks. Income from discontinued operations was $15.0 million in 1991. Excluding the 1992 charge and a 1991 after tax charge of $2.8 million, the 1992 loss from discontinued operations was $35.5 million compared to income of $17.8 million in 1991. The decrease was primarily the result of intense price competition and heavy promotional spending in North American snacks and declines in clam products.

Financial Position

The Company's financial position was impacted by several events in 1993. Equity was reduced by the accruals for the loss on disposal of discontinued operations, restructuring, changes in accounting estimates and asset write-downs, and the adoption of SFAS No. 112. However, there were no cash outlays for these charges in 1993. While most of the cash outlays for restructuring will occur in 1994, the divestment and restructuring program is expected to generate significantly greater cash than it will use. In 1994 cash flow from operations, together with capital expenditures and divestment proceeds, is projected to exceed $400 million, subject to the successful completion of the divestment program. Equity was also reduced by $92.3 million to record a minimum pension liability. This is a non-cash adjustment representing the excess of accumulated benefits over plan assets and accrued pension expense.

In the fourth quarter of 1993, the Company negotiated an amendment to a covenant in the T.M.I. Associates, L.P. partnership agreement which required the Company to maintain a ratio of adjusted debt to adjusted capitalization, as defined, of 60% or less. The amended covenant requires a ratio no greater than 67.5% from December 1993 through June 1994, 65.0% in September 1994 and 60.0% in December 1994. The ratio was 62.4% at December 31, 1993.

Borden borrows domestically at commercial paper rates and has credit agreements with domestic and foreign lending institutions of $520.0 million to support commercial paper borrowings. The credit agreements bear interest, if used, at approximately the prime rate, or less, in effect at the date of use. Additional unused lines of credit totaling $222.7 million at December 31, 1993 were available for use by foreign subsidiaries. At December 31, 1993 the Company also had available $250.0 million in registered but unissued securities under shelf registration statements.

During 1993 and January 1994 the Company's long-term debt and commercial paper ratings were downgraded to BBB and A-2 by Standard & Poor's and to Baa2 and P-2 by Moody's. This action marginally increased the Company's cost of borrowing but has not adversely impacted the Company's ability to borrow. If required, management believes that additional funding could be obtained at competitive rates and terms.

In order to improve its financial position, the Company cut its quarterly common stock dividend during 1993 from $0.30 to $0.15 and sold $400.0 million of accounts receivable in December 1993. Proceeds from the sale were used to repay debt. The receivables were sold under terms of an agreement expiring in 1996 which enables the Company to periodically sell up to $400.0 million of accounts receivable. In January 1994, the Company announced that the common stock dividend would be further reduced to a quarterly rate of $0.075 per share.

The Company expects its financial position and cash flows to improve in 1994 as a result of the restructuring and divestment program and the reduction in the quarterly common stock dividend. Although the Company's current ratio at December 31, 1993 was less than 1.0 to 1, current maturities of debt can generally be refinanced, and operating and divestment cash sources are expected to be sufficient to meet the Company's other current liabilities. Current maturities of long-term debt coming due during 1994 aggregate approximately $132 million.

As discussed in Note 6 to the financial statements, the Internal Revenue Service has proposed adjustments to the Company's income tax returns for the period 1989-1990 relating to capital losses that resulted in $46 million of reduced income tax expense. The Company disagrees with the position of the Service, will contest the proposed adjustment and believes it has meritorious support for its position.

Liquidity and Capital Resources

Cash provided from operating activities in 1993, 1992 and 1991 were $152.3 million, $292.9 million and $348.8 million, respectively. Cash provided from operating activities decreased in each of the last two years due primarily to declines in operating results and spending in connection with the 1992 restructuring program. Capital expenditures decreased 38.2% from 1992 to $177.0 million in 1993, while 1992 capital expenditures of $286.2 million decreased 23.9% from 1991. These decreases were primarily the result of the completion in 1992 of capital expenditures relating to the 1989 reconfiguration program. Capital expenditures in 1994 are expected to approximate $200 million.

During 1993 the Company acquired a U.S. dairy operation for a total cost of $9.5 million. The Company acquired a bakery operation, a foodservice operation, a foundry resin operation and a rigid plastics operation in 1992 for a total cost of $20.1 million. During 1991 the Company acquired four operations for a total cost of $29.5 million. The 1991 acquisitions included a clam products operation, two bakery operations and a pasta operation.

Short-term debt decreased $536.2 million in 1993. The decrease in short-term debt was primarily the result of the proceeds from the sale of receivables being used to repay commercial paper.

At December 31, 1991 the Company had $500.5 million of short-term borrowings from the T.M.I. Associates, L.P. which were used primarily to retire commercial paper and long-term debt. During 1992 commercial paper and additional borrowings from the T.M.I. Associates, L.P. were used to further reduce long-term debt. Short-term debt increased $255.5 million in 1992 compared to a decrease of $310.4 million in 1991, and long-term debt decreased $266.1 million in 1992 compared to $244.2 million in 1991.

In 1993, 1992 and 1991 long-term debt financing provided $274.6 million, $45.2 million and $223.1 million, respectively. The 1993 financing includes proceeds from a $250.0 million issuance of 30-year, 7⅞% debentures which were used primarily to repay short term commercial paper. Long-term debt financing in 1991 included proceeds from a $200.0 million issuance of 30-year, 9.2% debentures which were used primarily to repay short-term commercial paper.

In 1992 the Company issued ten-year zero-coupon convertible bonds. The bonds issued had an aggregate value of $235.0 million and carry an effective interest rate of 5.74%. The bonds were issued in exchange for 7 million shares of the Company's common stock which were retired. The bonds will be convertible after five years into 5.95 million common shares. In connection with this transaction, the underwriter received an option under which it will have the right to receive additional Borden shares or, at the Company's option, a cash payment if the market price of Borden stock does not meet specific targets during the fourth year the bonds are outstanding. This non-cash transaction is not reflected in the amounts above or in the Consolidated Statement of Cash Flows.

Description of Business and Business Segments

Borden is engaged primarily in manufacturing, processing, purchasing and distributing a broad range of products. The Company's operations are divided into two major industry segments: the foods segment, and the non-food consumer and industrial segment. Borden management is organized into three operating divisions: North American Foods, International Foods, and Packaging and Industrial Products. Corporate departments provide certain centralized services for all operating units. The Company's executive and administrative offices are located in Columbus, Ohio. Production facilities are located throughout the United States and in many foreign countries. Certain businesses included in the discussions below have been selected for divestiture.

The foods segment currently includes the following businesses: pasta and pasta sauces, bakery products, processed cheese, individual portion and foodservice sized condiments, salty snacks, sweetened condensed milk, non-dairy creamer, reconstituted lemon and lime juices, bouillon, confections, jams and jellies, seafood, dehydrated soups, homogenized milk, whole milk powder, ice cream, sherbet, yogurt, cottage cheese, frozen novelties, low-fat dairy products, milk-based products for foodservice trade, and fruit drinks.

The non-food consumer and industrial segment currently includes wallcoverings, consumer adhesives, transparent wrapping film, adhesives for the forest products industry, foundry and industrial resins, and flexible and rigid packaging.

Domestic products for the foods segment are marketed primarily through food brokers and distributors, and to a lesser extent, directly to wholesalers, retail stores, foodservice businesses, food processors, institutions and governmental agencies. Domestic products for the non-food consumer and industrial segment are sold throughout the United States to industrial users and, in the case of consumer products, by in-house and independent sales forces to distributors, wholesalers, jobbers and retailers. To the extent practicable, international distribution techniques parallel those used in the United States. However, raw materials, production considerations, pricing competition, government policy toward industry and foreign investment, and other factors may vary substantially from country to country for both industry segments.

The Company's businesses in both industry segments must deal with intense competition on local and national levels, both in the United States and in foreign markets. Total advertising and promotion expense in support of Borden products was $735.5 million in 1993, $698.0 million in 1992 and $603.3 million in 1991.

The primary raw materials used by the foods segment businesses are milk, flour, potatoes, corn, vegetable oils and tomato products. The primary raw materials used by the non-food consumer and industrial segment businesses are polyvinyl chloride resins, methanol, phenol and formaldehyde. Raw materials are generally available from numerous sources in sufficient quantities but are subject to price fluctuations which cannot always be passed on to the Company's customers. Long-term purchase agreements are used in certain circumstances to assure availability of adequate raw material supplies at guaranteed prices.

Research and development expenditures were $31.9 million in 1993, $30.8 million in 1992 and $30.3 million in 1991. The development and marketing of new food and packaging and industrial products are carried out at the division level and integrated with quality controls for existing product lines.

Working capital for both segments is generally funded through operations or short-term borrowings.

A breakdown of the Company's sales, operating profit and other information between the foods and non-food consumer and industrial business segments is presented on page 26.

Segment operating profit is total revenue less operating expenses. In computing segment operating profit, none of the following items have been deducted from revenue: general corporate expenses, interest expense and Federal, state and local income taxes.

Identifiable assets by segment are those assets that are used in the segment's continuing operations. Corporate assets consist primarily of cash and equivalents, prepaid expenses and fixed assets.

As of December 31, 1993 the Company operated 75 domestic food manufacturing and processing facilities in 34 states and Puerto Rico. The most significant of these facilities are an Illinois plant producing *Cracker Jack*, bouillon and dehydrated soup; an Alabama plant producing *Bama* jams and jellies and *ReaLemon* lemon juice; the Arizona, Massachusetts, Michigan, Minnesota, and Missouri pasta plants; the California, Pennsylvania and Mississippi foodservice plants; the Missouri and Pennsylvania snacks plants; and dairy facilities located in much of the country. In addition, the Company operated 48 foreign food manufacturing and processing facilities located principally in Canada, Latin America and Western Europe.

As of December 31, 1993 the Company operated 38 domestic non-food consumer and industrial manufacturing and processing facilities in 20 states, the most significant being the Resinite plants in Georgia, Massachusetts and Texas; the Proponite plant in Massachusetts; the forest products adhesives plants in Oregon and North Carolina; and a specialty resins plant in Kentucky. In addition, the Company operated 58 foreign non-food consumer and industrial manufacturing and processing facilities located principally in Brazil, Canada, the Far East and Western Europe.

The Company's manufacturing and processing facilities are generally well maintained and effectively utilized. Substantially all facilities are owned by the Company.

Environmental

Borden is actively engaged in complying with environmental protection laws, as well as various Federal and state statutes and regulations relating to manufacturing, processing and distributing its many products. In this connection, the Company incurred capital expenditures of $4.3 million in 1993 compared to $16.6 million in 1992 and $11.3 million in 1991. The Company estimates that it will spend $10.9 million for environmental control facilities during 1994.

Under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) or similar state environmental laws, the Company has potential liability, along with a large number of others, at various waste sites designated for cleanup. The Company believes the realistic range of liability under CERCLA and other environmental statutes and regulations, taking into account its established accruals for estimated liability, would not have a material adverse effect on the Company's financial position or operating results.

Business Segments

(In millions)		Year Ended December 31,	**1993***	1992**	1991***
Net Sales		Foods	**$3,673.8**	$4,055.5	$4,119.5
		Non-food consumer and industrial	**1,832.5**	1,816.2	1,804.6
		Total	**$5,506.3**	$5,871.7	$5,924.1
Operating Profit		Foods	**$ 22.7**	$ 92.4	$ 428.8
		Non-food consumer and industrial	**171.6**	141.6	185.9
		Total segments	**194.3**	234.0	614.7
		General corporate expense, net	**(153.3)**	(141.9)	(16.5)
		Interest expense	**(125.1)**	(116.6)	(167.0)
		Pretax (loss) income from continuing operations	**$ (84.1)**	$ (24.5)	$ 431.2
Identifiable Assets		Foods	**$2,085.6**	$3,496.9	$3,689.5
		Non-food consumer and industrial	**1,114.3**	1,395.4	1,438.1
		Total segments	**3,199.9**	4,892.3	5,127.6
		Discontinued operations	**222.2**		
		Corporate assets	**449.6**	353.7	333.7
		Total	**$3,871.7**	$5,246.0	$5,461.3
Depreciation and Amortization		Foods	**$ 163.7**	$ 165.7	$ 157.2
		Non-food consumer and industrial	**48.7**	49.8	46.2
Capital Expenditures		Foods	**$ 102.3**	$ 202.9	$ 303.4
		Non-food consumer and industrial	**59.1**	74.6	66.0
Geographic Information	Net sales	United States	**$3,620.9**	$3,928.7	$3,903.2
		Europe	**914.8**	979.2	1,083.2
		Other	**970.6**	963.8	937.7
		Total	**$5,506.3**	$5,871.7	$5,924.1
	Operating profit	United States	**$ 82.7**	$ 155.1	$ 421.4
		Europe	**73.7**	54.4	92.1
		Other	**37.9**	24.5	101.2
		Total	**$ 194.3**	$ 234.0	$ 614.7
	Identifiable assets	United States	**$2,408.0**	$3,534.4	$3,602.6
		Europe	**695.2**	858.0	1,027.4
		Other	**546.3**	853.6	831.3
		Discontinued operations	**222.2**		
		Total	**$3,871.7**	$5,246.0	$5,461.3

*The $38.4 restructuring and other charges to segment operating profit in 1993 is allocated as follows: $38.4 for the foods segment; and $22.1 for U.S. operations, and $16.3 for other foreign operations. The remainder of the restructuring charge not allocable to operating profit: $76.5 is included in general corporate expense.

**The $270.7 restructuring charge to segment operating profit in 1992 is allocated as follows: $215.7 for the foods segment and $55.0 for the non-food consumer and industrial segment; and $165.9 for U.S. operations, $38.1 for European operations and $66.7 for other foreign operations. The remainder of the restructuring charge not allocable to operating profit: $27.1 is included in general corporate expense and $79.4 is related to discontinued operations.

***The $61.2 restructuring charge to segment operating profit in 1991 is allocated as follows: $48.7 for the foods segment and $12.5 for the non-food consumer and industrial segment; and $34.5 for U.S. operations, $7.4 for European operations and $19.3 for other foreign operations. The remainder of the restructuring charge not allocable to operating profit: $6.0 is included in general corporate expense and $4.4 is related to discontinued operations.

Consolidated Statements of Income

(In millions except per share data)	*Year Ended December 31,*	**1993**	1992	1991
Revenue	Net sales	**$5,506.3**	$5,871.7	$5,924.1
Costs and Expenses	Cost of goods sold	**4,078.6**	4,301.9	4,268.5
	Marketing, general and administrative expenses	**1,223.7**	1,163.6	1,023.9
	Restructuring charges	**114.9**	297.8	67.2
	Interest expense	**125.1**	116.6	167.0
	Equity in income of affiliates	**(16.0)**	(19.4)	(24.0)
	Minority interest	**40.7**	39.7	2.8
	Other (income) and expense, net	**23.4**	(4.0)	(12.5)
	Income taxes	**(27.2)**	14.2	151.3
		5,563.2	5,910.4	5,644.2
Earnings	(Loss) income from continuing operations	**(56.9)**	(38.7)	279.9
	Discontinued operations:			
	(Loss) income from operations	**(65.8)**	(85.9)	15.0
	Loss on disposal	**(490.0)**		
	(Loss) income before extraordinary item and cumulative effect of accounting changes	**(612.7)**	(124.6)	294.9
	Extraordinary loss on early retirement of debt		(10.8)	
	Cumulative effect of change in accounting for:			
	Postemployment benefits	**(18.0)**		
	Postretirement benefits other than pensions		(189.0)	
	Income taxes		(40.0)	
	Net (loss) income	**$ (630.7)**	$ (364.4)	$ 294.9
Share Data	(Loss) income from continuing operations	**$ (.40)**	$ (.27)	$ 1.90
	Discontinued operations:			
	(Loss) income from operations	**(.47)**	(.60)	.10
	Loss on disposal	**(3.47)**		
	(Loss) income before extraordinary item and cumulative effect of accounting changes	**(4.34)**	(.87)	2.00
	Extraordinary loss on early retirement of debt		(.07)	
	Cumulative effect of change in accounting for:			
	Postemployment benefits	**(.13)**		
	Postretirement benefits other than pensions		(1.32)	
	Income taxes		(.28)	
	Net (loss) income per common share	**$ (4.47)**	$ (2.54)	$ 2.00
	Cash dividends paid per common share	**$ 0.90**	$ 1.185	$ 1.12
	Average number of common shares outstanding during the period	**141.0**	143.4	147.6

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets

(In millions except share and per share data)	*December 31,*	**1993**	1992
ASSETS			
Current Assets	Cash and equivalents	**$ 100.3**	$ 186.0
	Accounts receivable (less allowance for doubtful accounts of $8.9 and $10.3, respectively)	**334.7**	889.6
	Inventories:		
	Finished and in process goods	**319.4**	400.9
	Raw materials and supplies	**171.0**	240.2
	Other current assets	**142.6**	210.8
	Net assets of discontinued operations	**222.2**	
		1,290.2	1,927.5
Investments and Other Assets	Investments in and advances to affiliated companies	**91.3**	96.1
	Deferred income taxes	**225.4**	
	Other assets	**126.6**	255.8
		443.3	351.9
Property and Equipment	Land	**105.5**	125.6
	Buildings	**609.6**	815.5
	Machinery and equipment	**1,949.3**	2,389.5
		2,664.4	3,330.6
	Less accumulated depreciation	**(1,327.7)**	(1,542.5)
		1,336.7	1,788.1
Intangibles	Intangibles resulting from business acquisitions (net of accumulated amortization of $189.8 and $222.9, respectively)	**801.5**	1,178.5
		$3,871.7	$5,246.0

See Notes to Consolidated Financial Statements

	December 31,	1993	1992
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities	Debt payable within one year	**$ 410.6**	$ 706.6
	Accounts and drafts payable	**433.3**	589.7
	Restructuring reserve	**145.9**	139.4
	Income taxes	**56.5**	55.1
	Other current liabilities	**325.2**	317.0
		1,371.5	1,807.8
Other	Long-term debt	**1,240.8**	1,329.9
	Deferred income taxes	**47.1**	66.8
	Non-pension postemployment benefit obligations	**353.8**	317.7
	Other long-term liabilities	**103.8**	79.3
	Minority interest	**508.8**	518.2
		2,254.3	2,311.9
Shareholders' Equity	Common stock – $0.625 par value Authorized 480,000,000 shares Issued 194,983,374 shares	**121.9**	121.9
	Paid-in capital	**88.1**	83.0
	Accumulated translation adjustment	**(171.1)**	(128.3)
	Minimum pension liability	**(95.5)**	(3.2)
	Retained earnings	**835.1**	1,592.5
		778.5	1,665.9
	Less common stock in treasury (at cost) – 53,625,339 shares and 54,342,642 shares, respectively	**(532.6)**	(539.6)
		245.9	1,126.3
		$3,871.7	$5,246.0

Consolidated Statements of Cash Flows

(In millions)	*Year Ended December 31,*	**1993**	1992	1991
Cash Flows From Operating Activities	Net (loss) income	**$(630.7)**	$ (364.4)	$ 294.9
	Adjustments to reconcile net income to net cash from operating activities:			
	Depreciation and amortization	**224.0**	227.6	216.9
	Loss on disposal of discontinued operations	**637.4**		
	Change in accounting estimates	**94.1**		
	Restructuring	**52.5**	316.5	(65.0)
	Non-pension postemployment benefit obligation	**36.1**	317.7	
	Net changes in assets and liabilities:			
	Trade receivables	**47.8**	(30.3)	19.9
	Inventories	**21.2**	1.0	7.6
	Trade payables	**(0.5)**	(4.4)	(15.1)
	Current and deferred taxes	**(242.4)**	(175.3)	63.4
	Other assets	**(34.2)**	(9.6)	(99.0)
	Other, net	**(132.9)**	14.1	(74.8)
	Discontinued operations	**79.9**		
		152.3	292.9	348.8
Cash Flows From Investing Activities	Capital expenditures	**(177.0)**	(286.2)	(376.0)
	Divestiture of businesses	**53.4**	123.0	94.1
	Purchase of businesses	**(9.5)**	(20.1)	(29.5)
		(133.1)	(183.3)	(311.4)
Cash Flows From Financing Activities	(Decrease) increase in short-term debt	**(536.2)**	255.5	(310.4)
	Reduction in long-term debt	**(128.7)**	(266.1)	(244.2)
	Minority interest			500.0
	Long-term debt financing	**274.6**	45.2	223.1
	Sale of receivables	**400.0**		
	Dividends paid	**(126.7)**	(170.4)	(165.0)
	Issuance of stock under stock options and benefits and awards plans	**12.1**	3.9	7.2
	Acquisition of treasury stock			(1.6)
		(104.9)	(131.9)	9.1
	(Decrease) increase in cash and equivalents	**(85.7)**	(22.3)	46.5
	Cash and equivalents at beginning of year	**186.0**	208.3	161.8
	Cash and equivalents at end of year	**$ 100.3**	$ 186.0	$ 208.3
Supplemental Disclosures of Cash Flow Information	Interest paid	**$ 133.3**	$ 130.4	$ 177.5
	Taxes paid	**20.5**	67.1	102.6

See Notes to Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(In millions)	Common Stock	Paid-In Capital	Accumulated Translation Adjustment	Minimum Pension Liability	Retained Earnings	Treasury Stock
Balance, December 31, 1990	$126.2	$310.4	$ (32.2)	$(17.9)	$1,997.4	$(542.3)
Net income					294.9	
Cash dividends					(165.0)	
Translation adjustments			(19.1)			
Treasury stock purchased						(1.6)
Stock issued for preferred series B converted, exercised options and benefits and awards plans		4.5				2.7
Minimum pension liability adjustment				16.5		
Balance, December 31, 1991	126.2	314.9	(51.3)	(1.4)	2,127.3	(541.2)
Net loss					(364.4)	
Cash dividends					(170.4)	
Translation adjustments			(77.0)			
Stock issued for preferred series B converted, exercised options and benefits and awards plans		2.3				1.6
Stock purchased and retired	(4.3)	(234.2)				
Minimum pension liability adjustment				(1.8)		
Balance, December 31, 1992	121.9	83.0	(128.3)	(3.2)	1,592.5	(539.6)
Net loss					**(630.7)**	
Cash dividends					**(126.7)**	
Translation adjustments			**(42.8)**			
Stock issued for preferred series B converted, exercised options and benefits and awards plans		**5.1**				**7.0**
Minimum pension liability adjustment				**(92.3)**		
Balance, December 31, 1993	**$121.9**	**$ 88.1**	**$(171.1)**	**$(95.5)**	**$ 835.1**	**$(532.6)**

See Notes to Consolidated Financial Statements

Notes to Consolidated Financial Statements

(Dollars in millions except per share data)

1. Summary of Significant Accounting Policies

Significant accounting policies followed by the Company, as summarized below, are in conformity with generally accepted accounting principles.

Principles of Consolidation—The consolidated financial statements include the accounts of Borden, Inc. and its subsidiaries, after elimination of material intercompany accounts and transactions. The Company's proportionate share of the net earnings of unconsolidated 20% to 50% owned companies is included in income. The carrying value of these companies approximates Borden's interest in their underlying net assets. Investments of less than 20% ownership are carried at cost.

Cash and Equivalents/Statements of Cash Flows—The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The effect of exchange rate changes on cash flows is not material.

Inventories—Inventories are stated at the lower of cost or market. Cost is determined using the average cost and first-in, first-out methods.

Property and Equipment—Land, buildings and machinery and equipment are carried at cost.

Depreciation is recorded on the straight-line basis by charges to costs and expenses at rates based on estimated useful lives of properties (average rates for buildings 3.3%; machinery and equipment 6.8%).

Major renewals and betterments are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, related cost and accumulated depreciation are removed from the accounts.

Intangibles—The excess of purchase price over net tangible assets of businesses acquired is carried as intangibles in the consolidated balance sheets. It is the Company's policy to carry intangibles arising prior to November 1, 1970 at cost, while those arising after that date are amortized on a straight-line basis over not more than forty years. The carrying value of intangibles is evaluated periodically in relation to the operating performance and future undiscounted cash flows of the underlying businesses. Adjustments are made if the sum of expected future net cash flows is less than book value.

Revenue Recognition—Revenues are recognized when products are shipped.

Advertising and Promotion Expense—Production costs of future media advertising are deferred until the advertising occurs. All other advertising and promotion costs are expensed when incurred or expensed ratably over the year in relation to sales.

Income Taxes—In 1992 the Company adopted Statement of Financial Accounting Standard (SFAS) No. 109 "Accounting for Income Taxes," which requires the use of the liability method of accounting for deferred income taxes.

The provision for income taxes includes Federal, foreign, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax bases of assets and liabilities. A substantial portion of the undistributed earnings of foreign subsidiaries has been reinvested and is not expected to be remitted to the parent company. Accordingly, no Federal income taxes have been provided on such earnings, and at December 31, 1993, the cumulative amount of reinvested income was approximately $555.0. The determination of the tax effect relating to such reinvested income is not practicable.

Pension and Retirement Savings Plans—Substantially all of the Company's employees are covered under one of the Company's pension plans or one of the union-sponsored plans to which the Company contributes.

Substantially all domestic and Canadian salaried and nonbargaining hourly employees participate in the Company's retirement savings plans. The Company's cost of providing the retirement savings plans represents its matching of eligible contributions made by partici-

pating employees and is recognized as a charge to income in the year the cost is incurred.

Non-pension Postemployment Benefits—The Company provides certain health and life insurance benefits for eligible retirees and their dependents. In 1992 the Company adopted SFAS No. 106 "Employers' Accounting for Postretirement Benefits Other Than Pensions" whereby the cost of postretirement benefits is accrued during employees' working careers. The cost of providing these benefits was previously recognized as a charge to income in the period the benefits were paid. The Company elected to immediately recognize this obligation rather than amortize it over future periods.

The Company provides certain other postemployment benefits to qualified former or inactive employees. In 1993 the Company adopted, effective January 1, 1993, SFAS No. 112 "Employers' Accounting for Postemployment Benefits." The standard requires that the cost of benefits provided to former or inactive employees after employment, but before retirement, be accrued when it is probable that a benefit will be provided. The cost of providing these benefits was previously recognized as a charge to income in the period the benefits were paid.

Foreign Currency Translations—Assets and liabilities of foreign affiliates are generally translated at current exchange rates, and related translation adjustments are reported as a component of shareholders' equity. Income statement accounts are translated at the average rates during the period. For entities in highly inflationary countries, a combination of current and historical rates are used in translating assets and liabilities and related exchange adjustments are included in net income.

Earnings Per Share—Earnings per common share are computed based on the weighted average number of common shares outstanding.

Financial Instruments—The Company uses forward exchange contracts and currency swaps to hedge certain net foreign investments, firm commitments and transactions denominated in foreign currencies. Gains and losses on forward contracts are deferred and offset against foreign exchange gains or losses on the underlying hedged item. Premiums on currency swaps which hedge net foreign investments are recorded in the accumulated translation adjustment account to offset translation adjustments.

The Company uses interest rate swaps to manage interest rate risk. The interest differentials from these swaps are recorded in interest expense.

The fair values of financial instruments are estimated based on quotes from brokers or current rates offered for instruments with similar characteristics.

2. Discontinued Operations and Restructuring Charges

In December 1993 the Company recorded a pretax charge of $752.3 to provide for a comprehensive divestiture and restructuring program which includes the divestment of North American snacks, seafood, jams and jellies and other businesses.

The results below for the businesses being divested have been reported separately as discontinued operations in the Consolidated Statements of Income.

	1993	1992	1991
Sales	**$1,193.8**	$1,270.9	$1,311.0
(Loss) income before income taxes	**(102.0)**	(131.0)	29.7
Income tax (benefit) expense	**(36.2)**	(45.1)	14.7
Net (loss) income from discontinued operations	**(65.8)**	(85.9)	15.0

The estimated loss on disposal of the discontinued operations is $637.4, $490.0 after tax, which includes a provision for anticipated operating losses until disposal.

The Company anticipates that the sale or closure of all the operations will be completed by the end of 1994. The Company intends to use net proceeds from the sale of the operations primarily to reduce debt.

Net assets of $222.2 related to the discontinued operations have been segregated in the December 31, 1993 Consolidated Balance Sheet. This amount consists of the assets and liabilities of the businesses to be disposed less the estimated losses on disposal of $637.4.

The restructuring of the Company's operations represent an integral part of the comprehensive program. In connection with this program the Company recorded a pretax charge of $114.9 for organizational restructuring, including severance costs. The charge includes a $16.3 increase in the estimated costs to divest of an international operation which was provided for in the 1992 restructuring reserve. The change in estimate for this divestiture is primarily related to the additional time required to dispose of the operation and recent unfavorable exchange rates. In 1993 charges of $1.6 were incurred. Of the remaining $113.3 reserve at December 31, 1993, $98.3 represents cash charges the majority of which are expected to be incurred in 1994.

The 1992 results include a restated restructuring charge of $377.2, of which $79.4 relates to discontinued operations and is included in the loss from discontinued operations in the Consolidated Statements of Income. The restructuring charge includes changes in estimates of $19.8 for idle property carrying costs and workers' compensation costs associated with locations closed in the 1989 and 1991 restructuring reserves. The 1992 restructuring program included projects to relocate personnel, write off obsolete assets, provide for anticipated losses on divestitures and provide for costs to close facilities.

The cumulative charges to the 1992 restructuring reserve were $344.6, of which $91.6 were cash charges, leaving a balance of $32.6 at December 31, 1993. Of the $189.4 reserve balance at December 31, 1992, $50.0 was included in other long-term liabilities due to their noncurrent nature.

In fourth quarter 1991 the Company recorded a $71.6 charge, of which $4.4 related to discontinued operations, which reduced net income by $44.0. The charge covered business reorganization costs as well as severance, relocation and other employee-related expenses. Spending related to this charge was substantially completed in 1992.

3. Restatement and Reclassification

Following communications with the Securities and Exchange Commission concerning the 1992 restructuring charge, the Company has reclassified and restated $264.8 of the 1992 restructuring charge. Of this amount, $145.5 was reclassified from restructuring into cost of goods sold and marketing, general and administrative expense in the 1992 financial statements and had no effect on the net 1992 results of operations. The reclassification included marketing, environmental and litigation accruals and asset writeoffs. The remaining $119.3 was reversed to 1992 income. It included $59.8 of business integration, marketing and data system reorganization costs which were recorded as 1993 expenses and $59.5 of 1992 restructuring programs that have been cancelled.

In connection with the 1992 restatement, a loss of $17.2, $10.8 after tax, relating to debt retirement costs was reclassified out of restructuring and presented as an extraordinary item.

As a result of the restatement the 1993 net loss increased $37.1, or $0.26 per share, and the 1992 net loss decreased $75.2, or $0.53 per share, $86.0, or $0.60 per share, before extraordinary item, as compared to the originally reported results. Shareholders' equity increased by $38.1 and $75.2 at December 31, 1993 and 1992, respectively.

Results for 1992 and 1991 have been restated for discontinued operations. Certain amounts in the consolidated financial statements have been reclassified for comparative purposes.

4. Accounts Receivable

During 1993 the Company entered into an agreement which expires in 1996 that enables the Company to periodically sell up to $400.0 of accounts receivable without recourse. In December 1993 $400.0 of accounts receivable were sold.

Accounts receivable include tax refund receivables of $103.3 and $50.7 at December 31, 1993 and 1992, respectively.

5. Debt, Lease Obligations and Related Commitments

Debt outstanding at December 31, 1993 and 1992 is as follows:

	1993		1992	
	Long-Term	Due Within One Year	Long-Term	Due Within One Year
10⅞% Canadian Dollar Notes due 1993				$ 44.8
16½% Australian Dollar Notes due 1994		**$ 66.8**	$ 77.9	
9⅞% Notes due 1997	**$ 78.1**		78.1	
Medium Term Notes, Series A (at an average rate of 7.8% and 7.7%, respectively)	**100.0**	**50.0**	150.0	35.0
Zero-Coupon Convertible Bonds due 2002	**257.6**		243.4	
9.2% Debentures due 2021	**117.1**		117.0	
7.875% Debentures due 2023	**250.0**			
Sinking fund debentures:				
8⅛% due 2016	**78.5**		78.5	
9¼% due 2019	**48.7**		48.7	
Commercial paper (at an average rate of 3.6% and 4.0%, respectively)	**200.0**		400.0	
Industrial Revenue Bonds (at an average rate of 8.4% and 8.7%, respectively)	**55.2**	**0.3**	55.4	0.2
Other (at an average rate of 9.1% and 9.7%, respectively)	**55.6**	**14.8**	80.9	6.3
Total current maturities of long-term debt		**131.9**		86.3
Short-term debt:				
Commercial paper (at an average rate of 3.6% and 4.0%, respectively)		**59.0**		439.0
Other (primarily foreign bank loans at an average rate of 5.4% and 9.8%, respectively)		**219.7**		181.3
Total debt	**$1,240.8**	**$410.6**	$1,329.9	$706.6

During 1992 the Company issued ten-year zero-coupon convertible bonds. The bonds issued had an aggregate value of $235.0 and carry an effective interest rate of 5.74%. The bonds were issued in exchange for 7 million shares of the Company's common stock which were retired. This noncash transaction is not reflected in the Consolidated Statement of Cash Flows.

At December 31, 1993 and 1992 the Company had interest rate swap agreements covering $400.0 of commercial paper. These agreements, which mature from 1995 to 2000, effectively replace variable interest rates on the commercial paper with a fixed rate of 9.9% in 1993 and 1992. The Company had other interest rate swaps with a notional amount of $504.3 at December 31, 1993 and $549.7 at December 31, 1992. The aggregate fair value of all interest rate swaps was a liability (i.e., the amount that would have to be paid to terminate all swaps) of $73.1 at December 31, 1993 and $54.1 at December 31, 1992.

The aggregate fair value of the Company's outstanding debt was $1,828.8 at December 31, 1993 and $2,120.9 at December 31, 1992.

The Company uses currency swap agreements to convert the 16½% Australian Dollar Notes into a 11.1% Canadian Dollar obligation.

The Company is exposed to credit loss in the event of nonperformance by the other parties to the swap agreements. However, the Company does not anticipate nonperformance by the counterparties.

At December 31, 1993 and 1992 $200.0 and $400.0, respectively, of commercial paper is classified as long-term debt since the Company has both the intent and ability, through its credit facilities, to maintain such amounts for more than one year.

Aggregate maturities of long-term debt and minimum annual rentals under operating leases at December 31, 1993 are as follows:

	Long-Term Debt	Minimum Rentals on Operating Leases
1994	$131.9	$ 58.9
1995	257.7	44.0
1996	51.0	32.0
1997	112.4	25.1
1998	1.6	16.7
1999 and beyond	818.1	66.0

The average amount of short-term commercial paper outstanding was $341.7 during 1993 and $409.0 during

1992, and the average amount of other short-term debt was $189.7 during 1993 and $193.9 during 1992. The respective weighted average interest rates for short-term commercial paper and other short-term debt were 3.3% and 7.4% during 1993 and 3.7% and 9.8% during 1992. Maximum month-end borrowings were $440.0 in 1993 and $485.0 in 1992 for short-term commercial paper, and $219.7 in 1993 and $270.8 in 1992 for other short-term debt. The Company had unused credit agreements of $742.7 at December 31, 1993, of which $520.0 was in support of commercial paper borrowings and $222.7 was available for borrowing.

The Company capitalizes interest related to the cost of acquiring certain fixed assets. The total interest costs incurred and the portions capitalized were $126.2 and $1.1 in 1993, $151.1 and $3.1 in 1992, and $208.2 and $9.8 in 1991.

6. Income Taxes

In 1992 the Company adopted SFAS No. 109 which requires the use of the liability method of accounting for deferred income taxes. The cumulative effect as of January 1, 1992 of the change was a deferred tax expense of $40.0, or $.28 per share. The effect of the accounting change in 1992 was to increase net income by $3.1, or $.02 per share.

Comparative analysis of the provisions for income taxes from continuing and discontinued operations and the loss on disposal of discontinued operations follows:

	1993	1992	1991
Current			
Federal	**$ (28.7)**	$ 5.6	$ 25.8
State and Local	**(.3)**	5.9	7.1
Foreign	**27.1**	47.3	50.1
	(1.9)	58.8	83.0
Deferred			
Federal	**(175.2)**	(80.6)	57.5
State and Local	**(32.1)**	(8.2)	8.1
Foreign	**(1.6)**	(.9)	17.4
	(208.9)	(89.7)	83.0
	$(210.8)	$ (30.9)	$166.0

The 1993 income tax benefit of $210.8 was comprised of $27.2 from continuing operations, $36.2 from losses of discontinued operations and $147.4 from loss on disposal of discontinued operations.

The 1992 tax benefit of $30.9 consists of a tax expense of $14.2 from continuing operations and a tax benefit of $45.1 from discontinued operations. The tax expense related to continuing operations reflects write offs of intangibles and other assets with reduced tax basis in connection with certain businesses divested under the 1992 restructuring program.

The 1991 tax expense of $166.0 includes $151.3 from continuing operations and $14.7 from discontinued operations.

The deferred tax provisions in 1993, 1992 and 1991 include $(196.6), $(116.3), and $11.4, respectively, for the tax effects of costs and expenses related to the restructuring programs and the disposal of discontinued operations which are deductible for income tax purposes subsequent to their recognition for book purposes, when the assets are disposed of or expenditures incurred. The deferred tax provisions in 1993, 1992 and 1991 also reflect the tax effects of accelerated depreciation of $13.7, $11.7 and $15.5, respectively, and pension contributions with tax effects of $6.0, $6.2 and $10.4, respectively.

Reconciliations of the differences between income taxes computed at Federal statutory tax rates and consolidated provisions for income taxes are as follows:

	1993	1992	1991
Income taxes computed at Federal statutory tax rate	**$(280.0)**	$ (52.8)	$156.7
State tax provision, net of Federal benefits	**(22.6)**	(2.2)	10.0
Foreign tax differentials	**.1**	1.7	2.8
Capital loss benefit		(17.9)	(11.7)
Restructuring programs	**4.3**	40.0	
Loss on disposal of discontinued operations	**81.3**		
Other — net	**6.1**	.3	8.2
Provisions for income taxes	**$(210.8)**	$ (30.9)	$166.0

The domestic and foreign components of (loss) income before income taxes, extraordinary loss and cumulative effect of accounting changes are as follows:

	1993	1992	1991
Domestic	**$(878.9)**	$(195.3)	$276.1
Foreign	**55.4**	39.8	184.8
	$(823.5)	$(155.5)	$460.9

The net current and non-current components of deferred income taxes recognized in the balance sheet at December 31, 1993 and 1992 follow:

	1993	1992
Net current assets	**$ 44.0**	$ 41.3
Net non-current asset (liabilities)	**178.3**	(66.8)
Net asset (liability)	**$222.3**	$(25.5)

The tax effects of the significant temporary differences which comprise the deferred tax assets and liabilities at December 31, 1993 and 1992 follow:

	1993	1992
Assets		
Non-pension postemployment benefit obligations	**$131.7**	$118.4
Restructuring and other reserves	**140.1**	113.8
Divestiture reserve	**147.4**	
Accrued expenses and other reserves	**50.8**	56.7
Foreign property, plant and equipment	**14.1**	12.8
Minimum pension liability	**58.5**	1.9
Loss and credit carryforwards	**108.6**	42.9
Other	**7.3**	24.3
Gross deferred tax assets	**658.5**	370.8
Valuation allowance	**(58.7)**	(42.9)
	599.8	327.9
Liabilities		
Property, plant and equipment	**236.5**	212.5
Certain foreign intangibles	**26.4**	23.9
Deferred gain on sale of partnership interest	**21.0**	20.5
Pension and health plan contributions	**26.5**	22.9
Prepaid expenses and deferred charges	**52.4**	50.8
Other	**14.7**	22.8
Gross deferred tax liabilities	**377.5**	353.4
Net asset	**$222.3**	$(25.5)

The net change in valuation allowances of $15.8 in 1993 and $42.9 in 1992 primarily relates to loss carryforwards of foreign operations which are not expected to be realized.

The Internal Revenue Service is examining the Company's tax returns for the period 1989-1990 and has proposed adjustments to the utilization of certain capital losses that resulted in $46.0 of reduced income tax expense. Full disallowance of the contested items would result in a net charge to earnings of $52.0 including interest. The Company disagrees with the position of the Service, will contest the proposed adjustment and believes it has meritorious support for its position.

7. Minority Interest

In 1991 three wholly owned subsidiaries of the Company contributed $1,700.5 in assets to T.M.I. Associates, L.P., a Delaware limited partnership (the Partnership), in exchange for a 77.28% general partner interest in the Partnership. The contributed assets consisted of selected trademarks which are licensed to the Company pursuant to exclusive long-term license agreements, a long-term note guaranteed by the Company and cash. Additionally, an outside investor contributed $500.0 in cash to the Partnership in exchange for a 22.72% limited partner interest. The Partnership, whose purpose is to invest in and manage a portfolio of assets, is a separate and distinct legal entity from the Company. For financial reporting purposes the Partnership's assets, liabilities and earnings are consolidated with those of the Company, and the limited partner's interest in the Partnership is included in the Company's financial statements as minority interest.

8. Pension and Retirement Savings Plans

For substantially all salaried employees, the Company's pension plans provide benefits generally based on compensation and credited service. For hourly employees, the plans provide benefits based on specified amounts per year of credited service.

Following are the components of the net pension expense (credit) recognized by the Company:

	1993	1992	1991
Service cost — benefits earned during the period	**$ 13.4**	$ 13.7	$ 13.1
Interest cost on the projected benefit obligation	**45.6**	46.3	47.4
Actual return on plan assets	**(20.0)**	(18.9)	(93.7)
Net amortization and deferral	**(34.2)**	(42.6)	33.5
Net pension expense (credit)	**$ 4.8**	$ (1.5)	$ .3

The weighted average rates used to determine net periodic pension expense were as follows:

	1993	1992	1991
Discount rate	**8.8%**	8.5%	9.3%
Rate of increase in future compensation levels	**5.4**	5.3	5.9
Expected long-term rate of return on plan assets	**10.2**	10.1	10.9

Most employees not covered by the Company's plans are covered by collectively bargained agreements which are generally effective for periods from one to five years. Under Federal pension law, there would be continuing liability to these pension trusts if the Company ceased all or most participation in any such trust, and under certain other specified conditions. Operations were charged $5.8, $7.0 and $7.6 in 1993, 1992 and 1991, respectively, for payments to pension trusts on behalf of employees not covered by the Company's plans.

The funded status of the plans and amounts included in the Company's balance sheets at December 31, 1993 and 1992 were as follows:

	1993		1992	
	Plan Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Plan Assets	Plan Assets Exceed Accumulated Benefits	Accumulated Benefits Exceed Plan Assets
Plan assets at fair value	**$ 134.3**	**$ 378.2**	$ 509.7	$ 17.6
Actuarial present value of:				
Vested benefit obligations	**(106.0)**	**(456.2)**	(466.2)	(32.6)
Accumulated benefit obligations	**(108.8)**	**(474.5)**	(483.0)	(35.6)
Projected benefit obligations	**(128.4)**	**(484.1)**	(506.0)	(40.3)
Plan assets greater (less) than projected benefit obligation	**5.9**	**(105.9)**	3.7	(22.7)
Unrecognized prior service (benefit) cost	**(1.6)**	**(7.5)**	(13.3)	1.4
Unrecognized loss	**37.3**	**187.2**	121.8	7.9
Unrecognized net transition (asset) obligation	**(0.5)**	**(15.5)**	(19.1)	1.6
Minimum liability adjustment		**(156.3)**		(8.0)
Net pension asset (liability)	**$ 41.1**	**$ (98.0)**	$ 93.1	$(19.8)

The weighted average discount rates and rates of increase in future compensation levels used in determining the projected benefit obligation were 7.6% and 4.5%, respectively, as of December 31, 1993, and 8.8% and 5.4%, respectively, as of December 31, 1992.

Plan assets consist primarily of equity securities and corporate obligations, including Company common stock. At December 31, 1993 and 1992 the plans held 2,185,000 and 1,885,000 shares of Company common stock, respectively, with a market value of $37.1 and $54.0, on which dividends of $1.7 and $2.2 were received.

In accordance with SFAS No. 87 the Company recorded an additional minimum pension liability for underfunded plans, representing the excess of accumulated benefits over plan assets and accrued pension costs, of $148.3 and $0.7 at December 31, 1993 and 1992, respectively. This liability, which had no effect on income, was offset by reducing intangible assets by $0.6 and $2.1 in 1993 and 1992 and reducing equity by $92.3 and $1.8, net of income taxes, in 1993 and 1992, respectively.

Charges to operations for matching contributions under the Company's retirement savings plans in 1993, 1992 and 1991 amounted to $16.1, $20.6 and $21.6, respectively. Eligible salaried and hourly non-bargaining employees may contribute up to 5% of their pay (7% for certain longer service salaried employees), which is matched 100% by the Company. The 1993 expense was reduced as a result of the temporary suspension of the Company match in the fourth quarter.

9. Non-pension Postemployment Benefits

The Company provides certain health and life insurance benefits for eligible domestic retirees and their dependents. In 1992 the Company adopted SFAS No. 106 whereby the cost of postretirement benefits is accrued during employees' working careers. The Company elected to immediately recognize this obligation rather than amortize it over future periods. The cost of providing these benefits was previously recognized as a charge to income in the period the benefits were paid.

The cumulative effect of the change as of January 1, 1992 was to decrease net income by $189.0, or $1.32 per share, after deferred tax benefit of $111.0. The effect of the accounting change in 1992 was to reduce net income by $11.2, or $.08 per share.

Participants who are not eligible for Medicare are provided with the same medical benefits as active employees, while those who are eligible for Medicare are provided with supplemental benefits. The postretirement medical benefits are contributory for retirements after 1983; the postretirement life insurance benefit is noncontributory.

In 1993 the Company amended the postretirement benefit plan for most employees primarily to reduce, and over several years eliminate, the Company subsidy of retiree medical benefits. This plan amendment reduced the accumulated postretirement benefit obligation by $74.8 million and is being amortized over future years.

The components of net postretirement benefit expense for the year ended December 31, 1993 and 1992 follow:

	1993	1992
Service cost	$ 4.9	$ 7.3
Interest cost	22.6	23.8
Net amortization and deferral	(5.6)	
Net postretirement benefit expense	$ 21.9	$ 31.1

The status of the Company's unfunded postretirement benefit obligation at December 31, 1993 and 1992 follows:

	1993	1992
Actuarial present value of accumulated postretirement benefit obligation:		
Retirees	$(186.9)	$(193.6)
Fully eligible active plan participants	(33.9)	(43.4)
Other active plan participants	(33.5)	(71.2)
	(254.3)	(308.2)
Unrecognized prior service benefit	(73.0)	(4.3)
Unrecognized loss (gain)	1.6	(5.2)
Accrued postretirement benefit liability	$(325.7)	$(317.7)

The discount rate used in determining the accumulated postretirement benefit obligation at December 31, 1993 and 1992 was 7.5% and 8.5%, respectively.

The assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligation at December 31, 1993 was 14.4% for 1994, gradually declining to 5.5% in 2009 and thereafter. The comparable assumptions for the prior year were 15.0% and 6.5%. A one-percentage point increase in the health care cost trend rate would increase the accumulated postretirement benefit obligation as of December 31, 1993 by $25.4 and the sum of the service and interest costs in 1993 by $4.5.

The health and life insurance benefits expense for retired employees on a pay-as-you-go basis was $14.4 in 1991.

The Company provides certain other postemployment benefits, primarily medical and life insurance benefits for long-term disabled employees, to qualified former or inactive employees. In 1993 the Company adopted, SFAS No. 112 effective January 1, 1993. The standard requires that the cost of benefits provided to former or inactive employees after employment, but before retirement, be accrued when it is probable that a benefit will be provided. The cost of providing these benefits was previously recognized as a charge to income in the period the benefits were paid. The amounts of such charges were not significant in the prior years.

The cumulative effect of the change as of January 1, 1993 was to decrease net income by $18.0, or $.13 per share, after deferred tax benefit of $11.0. The current year effect of the change was not significant.

10. Shareholders' Equity

The Company has authorized 10,000,000 shares of no-par preferred series B stock. At December 31, 1993 and 1992 6,989 and 7,324 shares, respectively were issued and outstanding. Each share of the preferred series B stock has an involuntary liquidating value of $28.88, bears an annual cumulative dividend of $1.32, is convertible into 6.6 common shares, and is redeemable at the Company's option at $39. At December 31, 1993 46,128 common shares were reserved for conversion of preferred series B stock.

Under a Preferred Share Purchase Rights Plan, each outstanding share of common stock has one preferred stock purchase right (Right) which entitles shareholders to purchase, under certain circumstances, one-hundredth of a share of Series C Junior Participating Preferred Stock at an exercise price of $175, subject to adjustment. The Rights may only be exercised if a person or group acquires 20% or more of the Company's common stock, or announces a tender or exchange offer for 20% or more of the common stock. In the event of certain business combinations, each holder of a Right may be entitled to purchase, at the exercise price, that number of shares of common stock of the acquiring company, which would have a market value of two times the exercise price of the Right.

Following is an analysis of common shares reserved for stock options under the Company's 1974 and 1984 Stock Option Plans as Amended:

	Shares	Price Range
At December 31, 1990	3,659,859	$ 4.23-36.06
Grants	898,650	32.06
Exercises	(226,155)	4.78-36.06
Expirations and cancellations	(35,890)	8.22-36.06
At December 31, 1991	4,296,464	$ 4.78-36.06
Grants	603,325	27.31-33.38
Exercises	(133,636)	4.78-31.56
Expirations and cancellations	(257,050)	26.81-36.06
At December 31, 1992	4,509,103	$ 8.22-36.06
Grants	**263,350**	**27.56**
Exercises	**(30,970)**	**9.62-27.85**
Expirations and cancellations	**(545,375)**	**17.75-36.06**
At December 31, 1993	**4,196,108**	**$ 9.62-36.06**

At December 31, 1993 3,960,758 options were exercisable. The Company's 1984 Stock Option Plan as Amended expired in April 1993 and no further options were granted thereafter.

The Board of Directors has approved the Company's 1994 Stock Option Plan subject to shareholder approval at the annual meeting. Subject to shareholder approval, 280,000 options and 30,000 restricted stock awards were granted in 1993 under the Plan.

11. Foreign Affiliates

Realized and unrealized net foreign exchange losses aggregating $38.1, $22.8 and $11.6 were charged against net income in 1993, 1992 and 1991, respectively.

At December 31, 1993 and 1992 the Company had foreign currency contracts and swaps aggregating $285.4 and $531.9, respectively, which expire within three years. The aggregate fair value of these financial instruments at December 31, 1993 and 1992 was $45.5 and $55.0, which represents a gain in the value of these contracts. These gains offset an equal amount of deferred foreign currency translation losses at year end.

12. Operations by Industry Segment

Information about the Company's industry and geographic segments is provided on pages 24-26 and is an integral part of the consolidated financial statements.

13. Supplemental Information

	1993	1992	1991
Maintenance and repairs	**$133.6**	$134.4	$134.1
Depreciation and amortization (including amortization of $39.2, $47.1 and $48.1, respectively)	**224.0**	227.6	216.9
Advertising and promotions (including promotions of $531.9, $519.6 and $468.0, respectively)	**735.5**	698.0	603.3
Research and development	**31.9**	30.8	30.3
Rent	**81.3**	82.3	86.2

14. Commitments

A wholly owned subsidiary as general partner of Borden Chemicals and Plastics Limited Partnership (BCP) has certain fiduciary responsibilities to BCP's unitholders. The Company believes that such responsibilities will not have a material adverse effect on its financial condition.

15. Quarterly Financial Data (Unaudited)

1993 Quarters*	First	Second	Third	Fourth**
Net sales	**$1,297.6**	**$1,352.5**	**$1,386.4**	**$1,469.8**
Gross profit	**351.1**	**355.1**	**363.5**	**358.0**
Income from continuing operations	**43.7**	**30.5**	**8.5**	**(139.6)**
Discontinued operations:				
Loss from operations	**(16.5)**	**(12.0)**	**(17.9)**	**(19.4)**
Loss on disposal				**(490.0)**
Net income (loss)	**9.2**	**18.5**	**(9.4)**	**(649.0)**
Per share of common stock:				
Income from continuing operations	**.31**	**.22**	**.06**	**(.99)**
Discontinued operations:				
Loss from operations	**(.11)**	**(.09)**	**(.13)**	**(.14)**
Loss on disposal				**(3.47)**
Net income (loss)	**.07**	**.13**	**(.07)**	**(4.60)**
Dividends	**0.300**	**0.300**	**0.150**	**0.150**
Market price range:				
Low	**24 1/8**	**17 5/8**	**14 3/4**	**14 3/8**
High	**29 1/8**	**27**	**19 5/8**	**19 5/8**

1992 Quarters*	First	Second	Third	Fourth
Net sales	$1,397.8	$1,439.3	$1,531.8	$1,502.8
Gross profit	369.1	389.9	395.3	415.5
Income from continuing operations	62.5	78.3	(214.1)	34.6
Discontinued operations:				
Loss from operations	(4.0)	1.0	(70.9)	(12.0)
Net income (loss)	(181.3)	79.3	(285.0)	22.6
Per share of common stock:				
Income from continuing operations	.42	.54	(1.52)	.24
Discontinued operations:				
Loss from operations	(.03)	.01	(.50)	(.08)
Net income (loss)	(1.23)	.55	(2.02)	.16
Dividends	0.285	0.300	0.300	0.300
Market price range:				
Low	31 1/8	29 1/2	26 1/4	26 1/4
High	34 7/8	34 3/4	31 1/8	29 1/2

**Quarterly 1993 income before restatement was $32.4, or $.23 per share, in the first quarter, $27.7, or $.20 per share, in the second quarter, and $0.2, or $.00 per share, in the third quarter.*

Quarterly 1992 income before restatement was ($170.5), or ($1.15) per share, in the first quarter, $79.3, or $.55 per share, in the second quarter, ($376.8), or ($2.68) per share, in the third quarter and $28.4, or $.20 per share, in the fourth quarter.

***Fourth quarter 1993 results include a pretax gain of $14.8, $11.1 after tax, on the sale of a European packaging operation.*

The 1993 and 1992 quarterly earnings per share amounts do not add to the annual amounts as a result of differences in average shares outstanding between the quarterly and annual calculations. Quarterly results have been restated to reflect discontinued operations and the effect of accounting changes.

Report of Management

The management of Borden, Inc. is responsible for the preparation of all information, including the financial statements and related notes, included in this Annual Report to Shareholders. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and include amounts based on the best judgment of management. Financial information included elsewhere in this Annual Report is consistent with these financial statements.

In recognition of its responsibility for the integrity and objectivity of data in the financial statements, management maintains a system of internal accounting controls. This system includes an organizational structure with clearly defined lines of responsibility and delegation of authority. To assure the effective administration of internal controls, employees are carefully selected and trained, written policies and procedures are developed and disseminated, and appropriate communication channels are provided to foster an environment conducive to the effective functioning of controls.

The system is supported by an internal auditing function that operates worldwide and reports its findings to management throughout the year. The Company's independent accountants are engaged to express an opinion on the year-end financial statements. They objectively and independently review the performance of management in carrying out its responsibility for reporting operating results and financial condition. With the coordinated support of the internal auditors, they review and test the system of internal accounting controls and the data contained in the financial statements.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets regularly with independent accountants, management and internal auditors to review the work performed and to ensure that each is properly discharging its responsibilities. The independent accountants and the internal auditors independently have full and free access to the Committee, without the presence of management, to discuss the results of their examinations, the adequacy of internal accounting controls and the quality of financial reporting.

E. R. Shames
President and
Chief Executive Officer

G. P. Morris
Vice President and
Chief Strategic Officer

Report of Independent Accountants

Price Waterhouse

Price Waterhouse
The Huntington Center
41 South High Street
Columbus, OH 43215

March 20, 1994

Board of Directors and
Shareholders of Borden, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and of cash flows present fairly in all material respects, the financial position of Borden, Inc. and its subsidiaries at December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

The 1992 consolidated financial statements have been revised as described in Note 3. Further, as discussed in Note 9 to the consolidated financial statements, in 1993 the Company changed its method of accounting for postemployment benefits to conform with Statement of Financial Accounting Standards No. 112.

Price Waterhouse

Officers

FRANK J. TASCO
Chairman

ERVIN R. SHAMES
President and Chief Executive Officer

Corporate Executive Vice President

JOSEPH M. SAGGESE
President, Packaging and Industrial Products Division
Domestic and International

Corporate Senior Vice President

ALLAN L. MILLER
Chief Administrative Officer

Corporate Vice Presidents

JUDY BARKER
Social Responsibility
President, The Borden Foundation

W. BAILEY BARTON
Health, Safety and Environment

KAREN L. JOHNSON
Consumer Affairs

RANDY D. KAUTTO
Human Resources

DAVID A. KELLY
Treasurer

PHILIP J. KEUPER
Public Affairs

GEORGE P. MORRIS
Chief Strategic Officer
Vice President, Finance
North American and International Foods

FRANCIS J. PROTO
General Auditor

EUGENE N. SKIEST
Science and Technology

CHARLES N. TIMPERMAN
Corporate Development

GEORGE J. WAYDO

Operating Executives

North American Foods

ROBERT W. ALLEN
Senior Group Vice President–President,
Dairy Products

PETER C. CLINE
Group Vice President,
North American Snacks

JOHN F. DIX
Group Vice President,
Niche Grocery Products
Vice President,
Shared Sales

CRAIG G. HAMMOND
Vice President,
Operations

RONALD C. KESSELMAN
Group Vice President,
Foodservice and Seafood Products
Vice President,
Sales and Marketing Services

RUSSELL S. MENTZER
Vice President–President,
North American Pasta Products

International Foods

DAN O'RIORDAN
Senior Group Vice President–President,
International Foods

OLE NORGAARD
Group Vice President,
Dairy International

Packaging and Industrial Products Division Domestic and International

SUMNER S. FEINSTEIN
Group Vice President,
Worldwide Decorative Products

JEROLD J. GOLNER
Group Vice President,
North American Plastic Operations

ROBERT G. JENKINS
Group Vice President,
Worldwide Resins

Corporate Staff Departments

PAUL J. JOSENHANS
Secretary and Associate General Counsel

ELLEN GERMAN BERNDT
Assistant Secretary

H. CORT DOUGHTY, JR.
Assistant Secretary

RICHARD H. BYRD
Assistant Treasurer

STEVEN C. DOVE
Assistant Treasurer

TERRENCE W. GASPER
Assistant Treasurer

GEORGE W. SANBORN
Assistant Treasurer

THOMAS V. BARR
Assistant General Controller

EDMUND M. KONOPKA
Assistant General Controller

RICHARD W. PENNELL
Assistant General Controller

NANCY G. BROWN
Assistant General Counsel

LAWRENCE L. DIEKER
Assistant General Counsel

JAMES A. KING, JR.
Assistant General Counsel

RONALD P. MORAN
Assistant General Counsel

Directors

FRANK J. TASCO
Chairman
Former Chairman of the Board and Chief Executive Officer
Marsh & McLennan Companies, Inc. (insurance brokerage, consulting and investment services)

FREDERICK E. HENNIG
President and Chief Operating Officer
Woolworth Corporation (retail merchandising)

WILBERT J. LEMELLE
President, Phelps-Stokes Fund (educational foundation)

ROBERT P. LUCIANO
Chairman and Chief Executive Officer
Schering-Plough Corporation (pharmaceuticals/consumer products)

H. BARCLAY MORLEY
Former Chairman and Chief Executive Officer
Stauffer Chemical Company

JOHN E. SEXTON
Dean
New York University School of Law

ERVIN R. SHAMES
President and Chief Executive Officer

PATRICIA CARRY STEWART
Former Vice President
The Edna McConnell Clark Foundation (charitable foundation)

Changes in Officers and Directors

FRANK J. TASCO was elected chairman, and ERVIN R. SHAMES was named chief executive officer on December 9, 1993. Both succeeded A.S. D'AMATO, who resigned.

Mr. Tasco, a Borden director since January 1988, is the former chairman and chief executive officer of Marsh & McLennan Companies, Inc.

Mr. Shames joined Borden as president and chief operating officer on June 28,1993, and was elected a director at that time.

Mr. Shames previously had been chairman, president and chief executive officer of The Stride Rite Corporation, after a 22-year career in the food industry.

R.J. VENTRES, retired chairman and chief executive officer of Borden, Inc., elected to resign from the Board, effective December 31, 1993.

JOHN E. SEXTON, Dean of the New York University School of Law, was elected a director, effective March 1, 1994.

LAWRENCE O. DOZA retired as senior vice president and chief financial officer on March 1, 1994.

RANDY D. KAUTTO, joined Borden in February 1994 as vice president, human resources. He was previously vice president, employee relations, for Philip Morris Companies, Inc.

GEORGE P. MORRIS was elected vice president and chief strategic officer, effective February 1994. He continues as vice president, finance, for North American and International Foods.

In Memoriam

THEODORE COOPER, M.D., chairman and chief executive officer of the Upjohn Company and a Borden director from 1980 to 1993, died on April 22, 1993. Dr. Cooper was admired by all who knew him for his contributions to medicine, education, public health and the community at large.

Five Year Selected Financial Data

(All dollar and share amounts in millions — except per share data)

For the Years	**1993**	1992	1991	1990	1989
Summary of Earnings					
Net sales	**$ 5,506.3**	$ 5,871.7	$ 5,924.1	$ 6,272.6	$ 6,391.5
Net (loss) income	**(630.7)**	(364.4)	294.9	319.6	(16.6)
Percent of net income to sales	*	*	5.0%	5.1%	*
Net (loss) income per common share	**$ (4.47)**	$ (2.54)	$ 2.00	$ 2.16	$ (0.11)
Dividends:					
Common share	**$ 0.90**	$ 1.185	$ 1.12	$ 1.035	$ 0.90
Preferred series B share	**1.32**	1.32	1.32	1.32	1.32
Average number of common shares outstanding during the year	**141.0**	143.4	147.6	147.9	148.2
Financial Statistics					
Capital expenditures	**$ 177.0**	$ 286.2	$ 376.0	$ 331.1	$ 244.0
Inventories	**490.4**	641.1	655.4	665.5	664.0
Property, plant and equipment, net	**1,336.7**	1,788.1	1,903.7	1,706.8	1,441.5
Depreciation and amortization	**224.0**	227.6	216.9	197.3	186.0
Total assets	**3,871.7**	5,246.0	5,461.3	5,284.3	4,824.9
Current assets	**1,290.2**	1,927.5	1,921.2	2,026.1	2,011.4
Current liabilities	**1,371.5**	1,807.8	1,413.7	1,847.0	1,466.4
Working capital	**(81.3)**	119.7	507.5	179.1	545.0
Current ratio	**0.9:1**	1.1:1	1.4:1	1.1:1	1.4:1
Long-term debt	**$ 1,240.8**	$ 1,329.9	$ 1,345.8	$ 1,339.8	$ 1,440.6
Total debt to adjusted total capitalization	**69%**	55%	41%	53%	51%
Shareholders' equity	**$ 245.9**	$ 1,126.3	$ 1,974.5	$ 1,841.6	$ 1,689.4
Liquidating value of preferred stock	**(.2)**	(.2)	(.2)	(.2)	(.2)
Equity per common share at year end	**1.74**	8.01	13.39	12.50	11.41
Return on average shareholders' equity	*	*	15.6%	18.3%	*
Shareholders' Data					
Outstanding common shares at year end	**141.4**	140.6	147.5	147.3	148.0
Market price of common stock:					
At year end	**$ 17**	$ 28 5/8	$ 32 5/8	$ 29 7/8	$ 34 3/8
Range during year	**29 1/8-14 3/8**	34 7/8-26 1/4	38 3/4-27 1/2	37 7/8-27	38 5/8-27 3/4
Number of common shareholders	**40,927**	38,953	39,234	39,010	39,098
Employee Data					
Payroll	**$ 1,116.4**	$ 1,123.8	$ 1,133.6	$ 1,135.5	$ 1,070.2
Average number of employees	**39,500**	41,900	44,400	46,300	46,500

Results for 1989 and 1990 have been restated to consistently present marketing expenses.

**Not meaningful because of net loss.*

Principal Borden Products by Brand

North American Foods

Pasta and Sauce

Classico pasta sauce

Creamette

Silver Award

Albadoro

REGIONAL:

Anthony's (Southern California, Arizona and Nevada)

Aunt Millie's spaghetti sauce (Northeast)

Bravo (western New York)

Dutch Maid (Northeast and North Central)

Gioia (western New York)

Globe A-1 (California)

Goodman's (Northeast and Miami)

Luxury (Gulf Coast)

Merlino's (Pacific Northwest)

Mrs. Grass (Chicago)

New Mill (Midwest)

Prince pasta and sauce (Northeast and North Central)

R•F (Midwest, Southwest and Colorado)

Red Cross (Midwest and Tennessee)

Ronco pasta and sauce (Southeast and Mid-South)

Vimco (Pennsylvania and Ohio)

Winsom (Midwest)

CANADA:

Catelli pasta and sauce, **Catelli Healthy Harvest** pasta and sauce, **Classico** pasta sauce, **Creamette, Lancia** pasta and sauce, **Romi, Splendor, Gattuso** pasta and pasta/pizza sauce, **Golden Wheat** and **Bravo** sauce

PUERTO RICO:

Criada pasta sauce

Niche Grocery

Bennett's sauces

Borden egg nog

Borden, Serv, Americana, Chatsworth and **Pitch 'R' Pak** individual portion control and bulk foodservice products

Campfire marshmallows

Cary's maple syrup

Coco Lopez cream of coconut and fruit drink mixes

Cracker Jack caramel and butter-toffee coated popcorn and peanuts

Cremora and **Cremora Lite** non-dairy creamer

Eagle Brand sweetened condensed milk

Kava acid neutralized instant coffee

MacDonald's maple syrup

Maple Orchards maple syrup

MBT broth

Meadow Gold sweetened condensed milk

Mrs. Grass soup and dip mixes

None Such mincemeat

ReaLemon lemon juice from concentrate and 100% pure refrigerated lemon juice

ReaLime lime juice from concentrate

Soup Starter, Stew Starter and **Minestrone Starter** dry soup mixes

Steero bouillon and broth products

Wyler's bouillon and broth products

REGIONAL:

Borden, Gregg's and Re-Mi foodservice mayonnaise, salad dressings and soup bases (Midwest, Southeast and Southwest)

Country Store instant mashed potatoes (Midwest and Southwest)

Dime Brand sweetened condensed milk (Southwest)

Laura Scudder's natural peanut butter (Mountain, Western and Texas)

Magnolia Brand sweetened condensed milk (New York and Miami)

Sippin Pak aseptic fruit drinks (Southeast and Southwest)

Star Brand sweetened condensed milk (New York)

CANADA:

Eagle Brand sweetened condensed milk, **Cracker Jack** caramel and butter-toffee coated popcorn, **ReaLemon** lemon juice from concentrate, and **Milk Mate** milk flavorings

PUERTO RICO:

Borden cheeses

Coco Lopez cream of coconut and fruit drink mixes

La Famosa juices and nectars

Dairy

Borden whole, lowfat, reduced lactose, skim and chocolate milks and buttermilk, cottage cheese, sour cream, whipping cream and other creams, egg nog, orange juice and fruit drinks; **Hi-Protein** lowfat milk; **Light** sugar-free chocolate lowfat milk and nonfat yogurt; **Lite Line** protein-fortified skim milk, cottage cheese, sour cream and yogurt; **Fat Free** sour cream; and **Thirstee Smash** fruit drinks

Borden ice cream and frozen novelty bars, sandwiches and pops, frozen yogurt and yogurt pops; **Eagle Brand** ice cream; **Fat Free** frozen desserts; **Lady Borden** ice cream; **Light** ice milk; and **Frostick, Mississippi Mud** and **Juice Stix** frozen novelties

Borden process cheese products – regular, light and fat free, **Lite Line** cheese products and **CheezTwo** process cheese substitute

Fisher cheese substitute products, **Sandwich-Mate** slices and **Ched-O-Mate, Pizza-Mate, Salad-Mate** and **Taco-Mate** shredded products

Meadow Gold whole, lowfat, skim and chocolate milks and buttermilk, cottage cheese, sour cream, whipping cream and other creams, egg nog, orange juice and fruit drinks; **Viva** lowfat milks, protein-fortified skim milk, cottage cheese, sour cream and yogurt, sugar-free chocolate lowfat milk, nonfat yogurt and cottage cheese; and **Mountain High** yogurt

REGIONAL:

KLIM whole milk powder (New York)

PUERTO RICO:

Nevada and **Carnaval** ice cream

International Foods

Pasta and Sauce

Brazil – **Adria, Italianissimo, OA, Paty, Raineri, Soltinho** and **Romanini**

Italy – **Albadoro** and **Monder**

Panama – **Imperial Roma** and **Napoli**

European Bakery

Germany – **Weber, Jaus, Kamps, Klems, Klemme, Nur Hier, Nuschelberg, Stefansback, Wriedeler, Lecker Backer, Heede** and **Golden Toast** baked goods and specialty breads

Hungary – **Prima Pek** baked goods and specialty breads

Niche Grocery

Belgium – **ReaLemon** lemon juice from concentrate, **Hemo** chocolate drink, **Lemaitre** chocolate truffles and **Vrancaert** truffles

Colombia – **Cremora** non-dairy creamer

Denmark – **Cocio** and **Congo** bottled chocolate milk, **Chocola** chocolate drink and **Chocolet** lowfat chocolate milk

Spain – **Gallina Blanca** dry soup mixes, **Hoy Menu** side dishes and **Avecrem** bouillon (exported to Middle East and Africa as **Jumbo** dry soup mixes and bouillon), **Salsas ala Carta** instant sauce and **Sopas Hechas** aseptic soups

Sweden and Norway – **Cocio** bottled chocolate milk

Dairy

Worldwide export – **KLIM** whole, **KLIM Lite Line** lowfat, **KLIM Superkid** and **KLIM Growing Up** milk powders

Bahamas and Costa Rica – Milk, ice cream and other dairy products, **KLIM** whole milk powder

Colombia – **KLIM, El Rodeo, Rosemary** and **Chicolac,** whole and active skim milk powders and **Borden** cheeses

Panama – **KLIM** whole milk powder and **Borden** ice cream, frozen yogurt, cheeses, juices and nectars

Packaging and Industrial Products

Non-Food Consumer

Decorative Products – Birge, Borden Home Wallcoverings, Borderlines, Borges, Crown, Fashion House, Foremost, Guard, James Seeman Studios, Mitchell Designs, Satinesque, ShandKydd, Storeys, Sun-Tex, Sunwall 54, Sunwall 27, Sunworthy, Trillium and **Wall-Tex** wallcoverings

Elmer's household, carpenter's and specialty glues, cements, building adhesives, caulking compounds and sealants, **Weather-Tite** wood glues and fillers, **Fill'N Finish** wood filler, **GluColors** decorative glues, **Slide-All** lubricant, **Squeez N Caulk** caulks, **Stix-All** adhesive and **Wonder Bond** adhesive

Krazy Glue instant glues and **Aron Alpha** industrial adhesives

Accent, Country Colors and **Hobby Craft** artist/craft brush-on paints

INTERNATIONAL:

Argentina – **Cascola, Cascamite** and **Casco** 1002PVA glues, **Cascotac** contact cement, **Rolofreeze, Rolopac, Rolopaper** and **Rolumino** household wraps and **Prontoflame** fire starter

Brazil – **Adezite** sealant putty and specialty vinyl tapes, **Cascola, Cascolar, Cascofix, Cascamite, Cascorez, Cascophen** and **Cola Madeira** glues, **Cascolor** color school glue, **Cascor** vinyl and acrylic paints, **Cascolax** floor coatings, **Durepoxi** epoxy putty, **Flexite** silicone sealant, **Rolopac** film and **Krazy Glue** instant glues

Canada – **Sunworthy** wallcoverings, **Elmer's** household, carpenter's and specialty glues and other products and **Krazy Glue** instant glues

Colombia – **EGA** glues and adhesives, **Rally** car care products, **Al Greco** paints and coatings, **Chinola** shoe and leather care products, **Efro, Alpino** and **Relussiente** floor waxes and cleaners, **Durepoxi** epoxy putty and **Chris** air freshener

Ecuador – **Elmer's, Blancola, Cascotack, EGA, Parcola** and **Economicola** glues and adhesives, **Turbo Rally** car care products, **Rolopac, Rolopaper, Rolominio** and **Rolofreeze** household wraps. **Polo-Shoe** leather care products. **Poliflex, American Wax** and **Poligloss** household waxes, **Clean-All** floor cleaners and **Durepoxi** and **Rally** epoxy putties

France – **Heller** plastic model kits

Germany – **Borges** wallcoverings

Philippines – **Elmer's** glues and adhesives

United Kingdom – **Crown** and **Storeys** wallcoverings, **Humbrol** paints and adhesives and **Airfix** model kits

Uruguay – **Cascola** and **Cascolax** glues, **Cascola** contact cement and **Rolopac** household wrap

Films and Adhesives

ALpHASET, Betaset and other foundry resins and refractory coatings

Astromel, Astrolube, Acat and other melamine resins and saturating products

Broadcast banner fabric

Casco, Cascophen, Cascoset and other forest products adhesives

Cascamid, Cascolok, Cascote and other wet strength paper resins

CILC N KOTE and **Hydrosperse** printing inks

LUV and other industrial coatings and resins

Loadmaster, Resinex and Resinite palletwrap films

Ovenex food trays

Proponite and **OPPtimum** packaging films

Resinite and **Sealwrap** foodwrap films

INTERNATIONAL:

Film Products – Belgium, France, Italy, Netherlands, Spain and United Kingdom; Canada; Argentina, Brazil, Colombia, Ecuador and Uruguay; Australia, Japan, New Zealand and Taiwan

Forest products adhesives – France, Spain and United Kingdom; Canada; Argentina, Brazil, Colombia, Ecuador and Uruguay; Australia, Malaysia and Philippines

Foundry resins – France, Spain and United Kingdom; Argentina, Brazil and Colombia; Australia, Japan, Malaysia and Philippines

Rigid plastic packaging – France, Italy, Netherlands and United Kingdom

Specialty adhesives – France and United Kingdom; Argentina, Brazil, Colombia, Ecuador and Uruguay; Australia, Malaysia and Philippines

Corporate Information

Corporate Headquarters
180 East Broad Street
Columbus, Ohio 43215-3799
Telephone (614) 225-4000

Annual Meeting
The Annual Meeting will be held on Friday, May 20,1994, beginning at 11:00 a.m. in the Governor Morris Hotel and Conference Center, 2 Whippany Road, Morristown, New Jersey 07960

Independent Accountants
Price Waterhouse
41 South High Street
Columbus, Ohio 43215-3421

Transfer Agent, Registrar & Dividend Disbursing Agent
The Bank of New York
P.O. Box 11258
Church Street Station
New York, New York 10286-1258
Telephone 1-(800) 524-4458

Debenture and Note Trustees
8 3/8% Sinking Fund Debentures
The First National Bank of Chicago
Chicago, Illinois 60670

7 7/8% Debentures
9.2% Debentures
9 1/4% Sinking Fund Debentures
9 7/8% Notes
Medium-Term Notes, Series A
The Bank of New York
New York, New York 10286

IF IT'S BORDEN - IT'S GOT TO BE GOOD

The product names shown in italics or boldface in this report are trademarks of Borden, Inc.

Exchange Listings
Common Stock (Ticker Symbol-BN)
New York Stock Exchange
The Common Stock is currently listed on exchanges in Tokyo, Japan; and Basel, Geneva, Lausanne and Zurich, Switzerland.
New York Stock Exchange
8 3/8% Sinking Fund Debentures, due 2016

Japanese Shareholder Service Organization & Paying Bank
The Yasuda Trust & Banking Co., Ltd.
Stock Transfer Agency Department
1-17-7, Saga, Koto-ku,
Tokyo, Japan

Date and State of Incorporation
April 24,1899 - New Jersey

Dividend Reinvestment Plan
A dividend reinvestment plan is available to Borden shareholders. Quarterly common stock dividends may be automatically reinvested in Borden common stock, and optional cash investments may be made for the purchase of additional shares. No service fees or commissions are assessed for shares purchased under this program.

For more information, write to:
The Bank of New York
P.O. Box 11260
Church Street Station
New York, New York 10286-1260
Telephone 1-(800) 524-4458

Form 10-K Report
Borden, Inc. will furnish to any shareholder, without charge, a copy of its most recent annual report on Form 10-K, as filed with the U.S. Securities and Exchange Commission.

Written requests should be directed to:
Borden, Inc.
Investor Relations
180 East Broad Street
Columbus, Ohio 43215-3799

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BORDEN, INC.
180 East Broad Street
Columbus, Ohio 43215

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IF IT'S BORDEN–IT'S GOT TO BE GOOD